

centerra**GOLD**



## NEWS RELEASE

### Centerra Gold Reports 2013 Fourth Quarter and Year-end Results

*This news release contains forward-looking information that is subject to the risk factors and assumptions set out on page 32 and in our Cautionary Note Regarding Forward-looking Information on page 39. It should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2013 and the associated Management's Discussion and Analysis. The consolidated financial statements of Centerra are prepared in accordance with International Accounting Standard 34, 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 ended December 31, 2013. All figures are in United States dollars.*

***To view the 2013 Management's Discussion and Analysis and the Audited Financial Statements and Notes for the year-ended December 31, 2013, please visit the following link:***

<http://media3.marketwire.com/docs/CG2013-YEMDA.pdf>

**Toronto, Canada, February 19, 2013:** Centerra Gold Inc. (TSX: CG) today reported net earnings of \$106.6 million or \$0.45 per common share (basic) in the fourth quarter of 2013. This compares to a net loss of \$70.7 million or \$0.30 per common share (basic) for the same period in 2012 after a charge of \$180.7 million in the fourth quarter of 2012 for the de-recognition of the underground assets at the Kumtor mine.

#### 2013 Fourth Quarter Highlights

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- Full year gold production and costs were better than guidance.
- Produced 362,234 ounces of gold in the fourth quarter, including 348,130 ounces at Kumtor and 14,104 ounces at Boroo.
- Increased revenues to \$468.9 million compared to \$368.5 million in the same quarter of 2012.
- All-in sustaining costs per ounce sold<sup>1</sup> were \$433 in fourth quarter and \$818 for the full year.
- All-in costs per ounce sold<sup>1</sup> were \$474 in the fourth quarter and \$920 for the full year.
- Increased indicated resources at the Öksüt project in Turkey by 60% to 1.1 million contained ounces of gold.
- Proven and probable gold reserves total 10.2 million ounces of contained gold.
- Cash provided by operations was \$359.5 million compared to \$209.1 million in the fourth quarter of 2012.
- Entered into a non-binding Heads of Agreement with the Kyrgyz Republic in connection with the potential restructuring of the Kumtor project, replaces MOU signed in September 2013.

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<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

For the full year, the Company recorded net earnings of \$157.7 million or \$0.67 per share (basic), compared to a net loss of \$143.7 million or \$0.61 per share (basic) in 2012. The increase in earnings in 2013 reflects significantly more ounces produced and sold (ounces sold increased 78% over 2012), a \$4.8 million write-down of the exploration inventory at Kumtor following the closure of the exploration program and the adoption, in the first quarter of 2013, of a new accounting policy (IFRIC 20). Adoption of IFRIC 20 resulted in retroactively capitalizing approximately \$40 million of previously expensed stripping costs in 2012 thereby reducing the loss in 2012. The Company's 2012 results have been restated as described in note 5 to the Company's 2013 annual financial statements. The additional capitalized stripping costs in 2012 was fully amortized in 2013, resulting in the Company's actual depreciation, depletion and amortization (DD&A) exceeding the prior DD&A guidance of February 20, 2013.

Production increases in 2013 were reported at both of the Company's operations, but these increases were partially offset by 20% lower realized gold prices in 2013. The 2012 results reflected a charge for the de-recognition of the underground assets at Kumtor of \$180.7 million and the negative impact on production of the acceleration of ice and waste in the high movement area above the SB Zone which delayed the release of ore and required a re-design of the production plan in early 2012.

Consolidated gold production in 2013 totaled 690,720 ounces compared to 387,076 ounces in the prior year. Production increases in 2013 were reported at both operations; Kumtor recorded a 90% increase in ounces poured, while Boroo poured 26% more ounces in 2013. During the year, Kumtor processed higher grades and achieved higher recoveries and Boroo benefited from a full year of heap leach production (which resumed operation in October 2012). In 2012 the lower gold production was primarily due to the revised mine plan at Kumtor, which resulted from the accelerated ice and waste movements in the pit wall above the SB Zone.

## Commentary

Ian Atkinson, President and CEO of Centerra stated, "Both operations exceeded their production guidance in 2013, mainly as a result of a strong fourth quarter at Kumtor and better than expected annual production from the heap leach operation at Boroo. Centerra's performance in 2013 was well within its third quarter operating cash costs guidance, and performed better than its prior all-in cash costs<sup>1</sup> per ounce produced guidance partly due to Boroo, which exceeded expectations, and to Kumtor's strong production in the fourth quarter of 2013, which enabled it to exceed its guidance. From a financial standpoint, in the fourth quarter of 2013, the Company had strong net earnings of \$106.2 million or \$0.45 per share. Cash provided by operations was approximately \$360 million during the fourth quarter and our cash and short-term investments grew to over \$425 million net of our debt at year-end."

"On February 5, 2014, we published our updated reserves and resources in which we reported that we successfully converted the majority of the inferred resources to indicated resources at the Öksüt project in Turkey through our in-fill drilling during the year and we continued to expand the resource, which now totals 1.1 million contained ounces of gold in the indicated category with an average grade of 1.2 g/t. The Company expects to complete a preliminary economic assessment in the first quarter of 2014 and if such assessment is positive, we expect to commence a feasibility study later in the year."

"In 2014, we are expecting consolidated gold production to be in the 595,000 to 645,000 ounce range and our expected consolidated all-in sustaining costs per ounce sold<sup>1</sup> for 2014 to be within a range of \$875 to \$950 and our expected consolidated all-in costs to be \$989 to \$1,074 per ounce sold<sup>1</sup>."

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<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

On December 24, 2014, Centerra entered into a non-binding Heads of Agreement (the “HOA”) with the Government of the Kyrgyz Republic and Kyrgyzaltyn JSC (“Kyrgyzaltyn”) in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for a 50% interest in a joint venture company that would own the Kumtor Project. On February 6, 2014, after their review of the HOA, the Kyrgyz Parliament adopted a resolution which appears to support the concept of the restructuring described in the HOA but also contains a number of recommendations that are materially inconsistent with the terms of the HOA. Among other things, the resolution calls for further audits of the Kumtor operation and for the Government and the General Prosecutor’s Office to continue pursuing claims for environmental and economic damages, which the Company disputes. The Company has not yet received an official copy of the Parliamentary resolution. The Company expects to continue its discussions with the Government regarding a potential restructuring transaction to resolve all outstanding concerns relating to the Kumtor Project. However, the Company continues to maintain that any agreement to resolve matters must be fair to all of Centerra’s shareholders. Any definitive agreement for a potential restructuring remains subject to required approvals in the Kyrgyz Republic, including Government and Parliament of the Kyrgyz Republic, as well as Centerra Special Committee and Board approval, and compliance with all applicable legal and regulatory requirements and approvals, including a formal independent valuation and shareholder approval. See “Other Corporate Developments - Kyrgyz Republic” for further details on these developments.

As at December 31, 2013, the Company had \$76 million outstanding debt under its \$150 million revolving credit facility with the European Bank for Reconstruction and Development (“EBRD”) leaving a balance of \$74 million undrawn at December 31, 2013. Repayment of the \$76 million outstanding was subsequently extended to August 11, 2014 or, at the Company’s discretion, repayment of the loan may be further extended until February 2015.

Cash, cash equivalents and short-term investments at the end of 2013 increased to \$501.5 million from \$382.1 million at December 31, 2012.

### **Changes in Presentation of Non-GAAP Financial Performance Measures**

In 2013, the Company adopted non-GAAP performance measures, “all-in cash costs<sup>1</sup>”, which were based on production. In June 2013, the World Gold Council (WGC) published guidelines for reporting all-in sustaining costs<sup>1</sup> and all-in costs<sup>1</sup> performance measures. Centerra reviewed the recommended measures and assessed their impact from adoption on its reporting. The WGC measures are similar to Centerra’s former presentation of all-in cash costs<sup>1</sup> except that they include accretion expense, allocate social development costs and exploration spending to the operating sites and are based on sales of gold rather than production. The following discussion presents a detailed calculation for both measures and reconciles the transition from the old measures to the new measures that have now been adopted.

These new measures should therefore not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP. The new measures have limitations as an analytical tool as they 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 in advance of accessing ore to be processed.

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<sup>1</sup> Non-GAAP measure, see discussion under “Non-GAAP Measures”.

## Unit Cash Costs<sup>1</sup> – Old Measure

The following table calculates Centerra's actual all-in cash costs using the Company's calculation methodology as presented in the first three quarters of 2013 and also compares the annual result with the Company's most recent cost guidance for 2013 presented in its third quarter 2013 public disclosures.

	2013 Year - Actual		
	Consolidated <sup>(7)</sup>	Kumtor	Boroo
<i>\$ millions, except as noted</i>			
<b>All-in Cash Costs:</b>			
Mining <sup>(2)</sup>	58.5	58.5	-
Milling	94.0	70.8	23.1
Leaching	10.6	-	10.6
Site support	68.1	60.0	8.1
Regional administration	23.7	18.1	5.8
Royalties	9.4	-	9.4
Management fees and other	(0.3)	0.6	(0.9)
Refining fees	3.8	3.5	0.3
By-product credits	(4.3)	(3.8)	(0.5)
<b>Operating cash costs<sup>(1)</sup></b>	<b>\$ 263.5</b>	<b>\$ 207.7</b>	<b>\$ 55.9</b>
Capitalized stripping and ice unload - cash	201.3	201.3	-
<b>Operating cash costs and capitalized stripping</b>	<b>464.8</b>	<b>409.0</b>	<b>55.9</b>
Sustaining capital (cash) <sup>(1)(3)</sup>	57.7	49.7	7.4
Growth capital (cash) - including Gatsuurt <sup>(1)(4)</sup>	39.9	39.2	-
<b>Operating cash costs including capital</b>	<b>562.4</b>	<b>497.8</b>	<b>63.4</b>
Corporate and other cash costs	68.1	-	-
<b>All-in Cash Costs - pre-tax<sup>(1)</sup></b>	<b>\$ 630.5</b>	<b>\$ 497.8</b>	<b>\$ 63.4</b>
Revenue-based tax and income tax	126.3	113.5	12.8
<b>All-in Cash Costs - including taxes<sup>(1)</sup></b>	<b>\$ 756.8</b>	<b>\$ 611.4</b>	<b>\$ 76.1</b>
<b>Ounces poured</b>	<b>690,720</b>	<b>600,402</b>	<b>90,318</b>
<b>Operating cash costs - \$/oz produced<sup>(1)(5)</sup></b>	<b>\$ 382</b>	<b>\$ 346</b>	<b>\$ 619</b>
<b>All-in Cash Costs (pre-tax) - \$/oz produced<sup>(1)(6)</sup></b>	<b>\$ 913</b>	<b>\$ 829</b>	<b>\$ 702</b>
<b>All-in Cash Costs (including taxes) - \$/oz produced<sup>(1)</sup></b>	<b>\$ 1,096</b>	<b>\$ 1,018</b>	<b>\$ 843</b>
<b>2013 Full Year Cost Guidance (reported October 2013):</b>			
Ounces poured	635,000 - 685,000	550,000 - 600,000	approx 85,000
Operating cash costs - \$/oz produced <sup>(1)</sup>	\$375 - \$400	\$330 - \$360	approx \$680
All-in Cash Costs (pre-tax) - \$/oz produced <sup>(1)</sup>	\$930 - \$1,000	\$820 - \$895	approx \$775

<sup>(1)</sup> Non- GAAP measure see discussion under "Non-GAAP Measures".

<sup>(2)</sup> Excludes capitalized stripping and abnormal mining costs.

<sup>(3)</sup> Sustaining capital<sup>1</sup> is a capital expenditure necessary to maintain existing levels of production. The sustaining capital<sup>1</sup> expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.

<sup>(4)</sup> Growth capital<sup>1</sup> is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.

<sup>(5)</sup> Operating cash costs<sup>1</sup> 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 expenditures and exploration. Operating cash costs per ounce produced is calculated by dividing operating cash costs by the ounces produced.

<sup>(6)</sup> All-in cash costs per ounce produced<sup>1</sup> includes operating cash costs<sup>1</sup>, capitalized stripping, sustaining and growth capital<sup>1</sup>, corporate general and administrative expenses, global exploration expenses and social development costs. The measure is presented including and excluding revenue-based taxes at Kumtor and income taxes at Boroo.

<sup>(7)</sup> Consolidated numbers may not add across the columns as corporate entities are not presented in this table, given these are not significant.

The following table reconciles the prior reported measure of consolidated all-in cash costs<sup>1</sup> to the new all-in sustaining costs<sup>1</sup> and all-in costs<sup>1</sup> measures for the Company's 2013 actual results.

<i>\$ millions, except as noted</i>	2013 Year - Consolidated Actual <sup>(2)</sup>		
	Old Measures	New WGC Measures	
		All-in Cash Costs <sup>(1)</sup>	All-in Sustaining Costs <sup>(1)</sup>
<b>Operating cash costs and capitalized stripping</b>	464.8	464.8	464.8
Sustaining capital (cash) <sup>(1)</sup>	57.7	57.7	57.7
Growth capital (cash) <sup>(1)</sup>	39.9		39.9
<b>Operating cash costs including capital</b>	<b>562.3</b>		
Corporate and General Administration	30.3	30.3	30.3
Exploration and business development	29.6		29.6
Community investments (social development costs)	6.4	6.4	6.4
Other expenses	1.9		1.9
<b>All-in Cash Costs - pre-tax <sup>(1)</sup></b>	<b>\$ 630.5</b>		
Changes in Inventories		10.0	10.0
Reclamation expense		0.9	0.9
<b>All-in Sustaining Costs <sup>(1)</sup></b>		<b>\$ 570.1</b>	
<b>All-in Costs <sup>(1)</sup></b>			<b>\$ 641.4</b>
Revenue-based tax and Income tax	126.3		126.3
<b>All-in Cash Costs - including taxes <sup>(1)</sup></b>	<b>\$ 756.8</b>		
<b>All-in Costs (including taxes) <sup>(1)</sup></b>			<b>\$ 767.7</b>
<b>Ounces poured</b>	690,720		
<b>Ounces sold</b>		696,818	696,818
<b>Operating cash cost - \$/oz produced <sup>(1)</sup></b>	<b>\$ 382</b>		
<b>All-in Cash Costs (pre-tax) - \$/oz produced <sup>(1)</sup></b>	<b>\$ 913</b>		
<b>All-in Cash Costs (including taxes) - \$/oz produced <sup>(1)</sup></b>	<b>\$ 1,096</b>		
<b>All-in Sustaining Costs - \$/oz sold <sup>(1)</sup></b>		<b>\$ 818</b>	
<b>All-in Costs - \$/oz sold <sup>(1)</sup></b>			<b>\$ 920</b>
<b>All-in Costs (including taxes) - \$/oz sold <sup>(1)</sup></b>			<b>\$ 1,102</b>

The impact of this change in presentation of the Company's all-in cost performance measures was not a significant change from its previously reported measure for the reported periods. As presented in the above table, the consolidated all-in cash costs (pre-tax) per ounce produced<sup>1</sup> (old measure) for 2013 was \$913, as compared to the consolidated all-in costs per ounce sold<sup>1</sup> (new measure) of \$920. At Kumtor, all-in cash costs (pre-tax) per ounce produced<sup>1</sup> (old measure) for 2013 was \$829, as compared to the all-in costs per ounce sold<sup>1</sup> (new measure) of \$853, while at Boroo, all-in cash costs (pre-tax) per ounce produced<sup>1</sup> (old measure) for 2013 was \$701, as compared to the all-in costs per ounce sold<sup>1</sup> (new measure) of \$765. For a detailed breakdown of the all-in unit costs<sup>1</sup> by operation please refer to the Company's year-end MD&A.

<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

<sup>2</sup> Numbers may not add due to rounding

The Company believes that this change in presentation brings the Company's performance measure reporting more in-line with the rest of the gold industry and may provide investors with better comparability in assessing performance against other gold producers. It may also help investors to assess the ability of Centerra to generate cash flow for use in investing and other activities.

"All-in cash costs"<sup>1</sup>, "all-in sustaining costs"<sup>1</sup>, "all-in costs"<sup>1</sup> and "all-in costs (including taxes)"<sup>1</sup> are intended to provide additional information only and do not have standardized definitions under IFRS and should not be considered as a substitute for measures of performance prepared in accordance with IFRS (see discussion under "Non-GAAP Measures"). The all-in costs measure is presented including and excluding revenue-based taxes at Kumtor and income taxes at Boroo. A person may choose instead to treat revenue-based taxes as a royalty and include this amount as part of the all-in sustaining costs measure.

These measures are not representative of all of the Company's cash expenditures as they do not include interest costs or dividend payments.

Any references to all-in costs<sup>1</sup> or all-in sustaining costs<sup>1</sup> (whether on a unit basis or not) in the remainder of this news release are under the definitions as developed by the World Gold Council (see discussion under "Non-GAAP Measures").

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<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

## Financial and Operating Summary Consolidated Highlights

Financial and Operating Summary	Three Months Ended December 31			Year Ended December 31		
	2013	2012 <sup>(5)</sup>	% Change	2013	2012 <sup>(5)</sup>	% Change
Revenue - \$ millions	<b>468.9</b>	368.5	27%	<b>944.4</b>	660.7	43%
Cost of sales - \$ millions <sup>(1)</sup>	<b>271.8</b>	167.9	62%	<b>559.2</b>	383.3	46%
Abnormal mining costs - \$ millions	-	8.9	100%	-	24.8	100%
Regional office administration - \$ millions	<b>6.2</b>	5.6	11%	<b>23.7</b>	21.0	13%
Revenue-based taxes - \$ millions	<b>62.9</b>	44.5	41%	<b>113.5</b>	74.7	52%
Other operating expenses - \$ millions	<b>1.9</b>	4.8	(60%)	<b>8.3</b>	34.3	(76%)
Loss on de-recognition of UG - \$ millions	-	180.7	100%	-	180.7	100%
Exploration - \$ millions	<b>8.8</b>	11.5	(24%)	<b>29.6</b>	37.9	(22%)
Corporate administration - \$ millions	<b>8.1</b>	8.8	(8%)	<b>30.6</b>	27.0	13%
Earnings (loss) before income taxes - \$ millions	<b>107.6</b>	(65.5)	264%	<b>170.8</b>	(132.0)	229%
Income tax expense - \$ millions	<b>1.0</b>	5.2	(81%)	<b>13.1</b>	11.7	12%
Net earnings (loss) - \$ millions	<b>106.6</b>	(70.7)	251%	<b>157.7</b>	(143.7)	210%
Earnings(loss) per common share - \$ basic	<b>0.45</b>	(0.30)	250%	<b>0.67</b>	(0.61)	210%
Earnings(loss) per common share - \$ diluted	<b>0.44</b>	(0.30)	247%	<b>0.64</b>	(0.61)	205%
Cash provided by operations - \$ millions	<b>359.5</b>	209.1	72%	<b>483.9</b>	173.4	179%
Capital expenditures - \$ millions	<b>86.7</b>	86.4	0%	<b>376.6</b>	464.0	(19%)
Weighted average common shares outstanding - basic (thousands) <sup>(2)</sup>	<b>236,388</b>	236,339	0%	<b>236,382</b>	236,369	0%
Weighted average common shares outstanding - diluted (thousands) <sup>(2)</sup>	<b>236,646</b>	236,339	0%	<b>236,663</b>	236,369	0%
Average gold spot price <sup>(4)</sup> - \$/oz	<b>1,276</b>	1,721	(26%)	<b>1,411</b>	1,669	(15%)
Average realized gold price <sup>(3)</sup> - \$/oz	<b>1,271</b>	1,711	(26%)	<b>1,355</b>	1,692	(20%)
Gold produced – ounces	<b>362,234</b>	219,316	65%	<b>690,720</b>	387,076	78%
Gold sold – ounces	<b>368,954</b>	215,361	71%	<b>696,818</b>	390,533	78%
Cost of sales <sup>(3)</sup> - \$/oz sold	<b>737</b>	780	(6%)	<b>803</b>	982	(18%)
Adjusted operating costs <sup>(3)</sup> - \$/oz sold	<b>247</b>	366	(33%)	<b>402</b>	747	(46%)
All-in sustaining costs <sup>(3)</sup> - \$/oz sold	<b>433</b>	664	(35%)	<b>818</b>	1,449	(44%)
All-in costs <sup>(3)</sup> - \$/oz sold	<b>474</b>	850	(44%)	<b>920</b>	1,991	(54%)
All-in costs including taxes <sup>(3)</sup> - \$/oz sold	<b>644</b>	1,087	(41%)	<b>1,102</b>	2,212	(50%)

(1) Cost of sales excludes regional office administration.

(2) As of December 31, 2013, the Company had 236,390,219 common shares issued and outstanding.

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

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

(5) The 2012 comparative period was restated as a result of the adoption of IFRIC 20.

## Fourth Quarter of 2013 compared to Fourth Quarter of 2012

- Gold production for the fourth quarter of 2013 was 362,234 ounces compared to 219,316 ounces in the same quarter of 2012. The increased gold production in the fourth quarter of 2013 reflects 84% higher production at Kumtor as compared to the same quarter in 2012. In the fourth quarter of 2013, Kumtor produced 58% of its annual gold production as a result of the higher grades mined and milled.
- All-in sustaining costs per ounce sold<sup>1</sup> were \$433 in the fourth quarter of 2013 compared to \$664 in the comparative quarter of 2012. The decrease in the 2013 period results mainly from significantly higher production at Kumtor, partially offset by higher operating costs.
- All-in costs per ounce sold<sup>1</sup> were \$474 in the fourth quarter of 2013 compared to \$850 in the same quarter of 2012. The decrease reflects the increased ounces sold from higher production and lower capital requirements at Kumtor in the 2013 quarter, partially offset by increased costs associated with the larger truck fleet.
- Revenues in the fourth quarter of 2013 increased by \$100.4 million to \$468.9 million from \$368.5 million in the same period last year mainly as a result of 71% higher ounces sold, partially offset by 26% lower realized gold price. The average realized gold price<sup>1</sup> in the fourth quarter of 2013 was \$1,271 per ounce, a 26% decrease from \$1,711 per ounce realized in the same quarter of 2012.
- Cost of sales for the fourth quarter of 2013 was \$271.8 million compared to \$167.9 million in the same quarter of 2012. The increase reflects significantly more ounces sold at Kumtor, higher depreciation of capitalized stripping at Kumtor, higher operating costs due to increased consumption of reagents, cyanide and power from increased throughput and head grades at Kumtor's mill and volume increases due to the increased use of consumables for the expanded fleet at Kumtor.

DD&A included in costs of sales for the fourth quarter of 2013 of \$188.7 million increased by \$92.8 million compared to the same period last year, due in part to the processing and sale of more ounces in the fourth quarter of 2013 at Kumtor, partially offset by fewer ounces at Boroo. The fourth quarter of 2013 at Kumtor reflects the higher depletion of the capitalized stripping associated with cut-back 15, compared to cutback 14B that was mined in the comparative period. During the fourth quarter of 2013, Kumtor depleted the majority of the 142 million tonnes associated with cut-back 15, compared to 61 million tonnes from cut-back 14B in the comparative period. The increased DD&A charge was partially offset by mining and stockpiling greater ounces from cut-back 15 that will defer recognition of DD&A until the ounces are produced in 2014.

- There were no abnormal mining costs in the fourth quarter of 2013 compared to \$8.9 million in the comparative period of 2012. Abnormal mining costs represent the cost of removing the ice and waste from the high movement unload zone necessitated by the unexpected ice movement.
- Other operating expenses for the fourth quarter of 2013 totaled \$1.9 million compared to \$4.8 million in the same quarter of 2012. Costs in the fourth quarter of 2012 included \$2.9 million for the closure of the underground development project at Kumtor. Approximately \$1.9 million was spent in the fourth quarter in 2013 and 2012 for ongoing sustainable development projects in both the Kyrgyz Republic and Mongolia.

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<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".



- A charge of \$180.7 million was recorded in the fourth quarter of 2012 to reflect the de-recognition of the underground assets at Kumtor. This results from the decision in early November 2012 to expand the open pit at Kumtor and as a result consume a major portion of the underground infrastructure.
- Exploration expenditures for the fourth quarter of 2013 were \$8.8 million compared to \$11.6 million in the same quarter of 2012 mainly reflecting a cessation of drilling activities at Kumtor and on-going drilling programs at the Öksüt project in Turkey and the ATO Project in Mongolia. All exploration drilling at Kumtor ceased in the third quarter of the year and there are no future plans for exploration work within the mining concession area or on a regional scope. As a result, the Company recognized a \$4.8 million write-down of the exploration inventory in the fourth quarter.
- Cash provided by operations was \$359.5 million in the fourth quarter of 2013 compared to \$209.1 million in the same period of 2012. The increase over 2012 reflects increased earnings from higher production and ounces sold and a reduction in working capital levels, partially offset by lower realized gold prices and higher operating costs.
- Capital expenditures spent and accrued in the fourth quarter of 2013 were \$86.7 million, which included sustaining capital<sup>1</sup> of \$10 million, growth capital<sup>1</sup> of \$5.9 million and \$70.8 million of capitalized stripping costs. Capital expenditures in the same quarter of 2012 were \$86.4 million, which included \$11.6 million for sustaining capital<sup>1</sup> and \$24.5 million for growth capital<sup>1</sup> and capitalized stripping of \$50.3 million.

### **Full Year 2013 compared to Full Year 2012**

- Gold production for 2013 totaled 690,720 ounces compared to 387,076 ounces in the prior year. Kumtor recorded a 90% increase in ounces poured year-over-year, while Boroo poured 26% more ounces in 2013 due to the heap leach operating for the full year. The lower ounces poured in 2012 were mainly due to the revised mine plan at Kumtor, necessitated by the accelerated ice and waste movements in the SB Zone.
- All-in sustaining costs per ounce sold<sup>1</sup> for 2013 was \$818. This compares to all-in sustaining costs<sup>1</sup> of \$1,449 per ounce sold in 2012. The decrease is mainly due to higher production and sales at both sites (significantly higher at Kumtor), lower spending on social development costs and lower mine stand-by costs.
- All-in costs per ounce sold<sup>1</sup> for 2013 was \$920, and includes all cash costs related to gold production, except for revenue-based taxes in the Kyrgyz Republic. This compares to all-in costs<sup>1</sup> of \$1,991 per ounce sold in 2012. The decrease is mainly due to higher production at both sites (significantly higher at Kumtor), lower spending on growth capital<sup>1</sup>, partially offset by higher operating costs and higher spending on capitalized stripping and ice and waste unload costs. Capital expenditures excluding capitalized stripping costs decreased by \$111.9 million from \$209.5 million (\$536 per ounce) in 2012 to \$97.6 million (\$140 per ounce) in 2013 as the Kumtor mine completed the major portion of its mining fleet expansion during 2012.
- Revenues for 2013 were \$944.4 million, an increase of \$283.6 million compared to the same period of 2012 due to a 78% increase in ounces sold partially offset by a 20% decrease in the average realized gold price<sup>1</sup>. Gold sold was 696,818 ounces in 2013 compared to the 390,533 ounces reported in 2012. The increase reflects higher gold production at both Kumtor and Boroo. The average realized gold

<sup>1</sup> Non-GAAP measure, see discussion under “Non-GAAP Measures”.

price<sup>1</sup> for 2013 was \$1,355 per ounce compared to \$1,692 per ounce in the same period of 2012 reflecting lower spot prices for gold throughout the year. Centerra's average realized price<sup>1</sup> for gold in 2013 was lower than the average spot price for the year because more than 50% of annual gold production at Kumtor was in the fourth quarter when the price of gold averaged \$1,276 per ounce.

- Cost of sales was \$559.2 million in 2013 compared to \$383.3 million in 2012, reflecting the significantly higher ounces sold in 2013. The volumes in 2012 were significantly reduced as a result of the revised mine plan at Kumtor which led to the suspension of milling activities for part of the year. Cost of sales in 2013 included an increase in DD&A of \$167 million, mainly due to higher ounces sold. Cost of sales in 2012 also included a charge of \$7.2 million representing a metal reconciliation variance between the gold content estimated in the stockpiles and the gold actually recovered through processing at Kumtor.

DD&A associated with sales increased to \$309 million in 2013 from \$142.1 million in 2012 as a result of higher volumes and increased depreciation for the expanded mobile fleet at Kumtor. In addition, the Company incurred higher amortization of capitalized stripping costs at Kumtor of about \$40 million resulting from the adoption of IFRIC 20. The adoption of IFRIC 20 resulted in operating costs that were previously expensed in 2012 in the amount of about \$40 million being capitalized as stripping costs in 2012. The 2012 results have therefore been restated as described in Note 5 to the 2013 Audited Financial Statements. These newly capitalized costs were then amortized during 2013 as the ore in the related cutback was mined, increasing 2013 DD&A expense by approximately \$40 million. .

- The Company recorded \$24.8 million of abnormal mining costs at Kumtor in 2012 (nil for 2013) representing the cost of removing the ice and waste from the high movement unload zone. The costs associated with this unloading activity resulted in a significant amount of mining costs which did not relate to the production of inventory in the period and were expensed immediately as abnormal mining costs.
- Other operating expenses for 2013 totaled \$8.3 million compared to \$34.3 million in 2012. The 2013 amount includes spending on social development programs (corporate social responsibility ("CSR") programs) of \$6.3 million (\$26.2 million in 2012) and \$1.5 million spent on closure costs for the underground project at Kumtor (\$7.8 million in 2012). CSR spending in 2013 was \$6.2 million in the Kyrgyz Republic and \$0.1 million in Mongolia. In 2012, \$24 million was spent on CSR projects in the Kyrgyz Republic, including \$21 million as a contribution to a national micro-credit financing program, and \$2.2 million in Mongolia, including an additional contribution by Boroo to the Ulaanbaatar maternity hospital of \$1.1 million. A decision was made in 2012 to close the underground project at Kumtor which resulted in closure costs being incurred in 2012 and 2013.
- Exploration expenditures in 2013 were \$29.6 million compared to \$37.9 million in 2012. Exploration expenditures in 2013 decreased from 2012 mainly due to the suspension of all exploration programs in the Kyrgyz Republic in the second half of 2013.
- The Company recorded a charge of \$180.7 million in the fourth quarter of 2012 to reflect the de-recognition of the underground assets at Kumtor following the decision to expand the open pit, as announced on November 7, 2012. The larger open pit is expected to partially consume the declines rendering them unusable for future mining activities.

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<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

- Cash provided from operations for 2013 totaled \$483.9 million compared to \$173.4 million in 2012, primarily as a result of significantly higher earnings at both operations in 2013, especially at Kumtor, partially offset by an increase in working capital levels.
- Capital expenditures spent and accrued in 2013 were \$376.6 million as compared to \$464.0 million in the prior year. Sustaining capital<sup>1</sup> in 2013 was \$58.2 million (including \$49.7 million at Kumtor and \$7.9 million at Boroo), compared to \$44.0 million in 2012 (including \$40.8 million at Kumtor and \$2.6 million at Boroo). Growth capital<sup>1</sup>, excluding capitalized stripping, was \$39.9 million in 2013, compared to \$168.4 million the prior year, primarily reflecting \$39.2 million of spending at Kumtor mainly on the infrastructure relocation project (\$19.1 million), fleet expansion (\$17.7 million) and spending at Gatsuurt of \$0.7 million for maintenance of the site. Capitalized stripping in 2013 totaled \$278.6 million (\$201.3 million cash), as compared to \$251.7 million (\$196.7 million cash) in the prior year, spent on stripping activities in cut-backs and in the unload areas at Kumtor.

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<sup>1</sup> Non-GAAP measure, see discussion under “Non-GAAP Measures”.

## Operations Update - Summary of Key Operating Results

Kumtor Operating Results	Three Months Ended December 31			Year Ended December 31		
	2013	2012 <sup>(4)</sup>	% Change	2013	2012 <sup>(4)</sup>	% Change
Revenue - \$ millions	448.9	317.8	41%	810.9	533.6	52%
Cost of sales - \$ millions <sup>(1)</sup>	255.1	140.0	82%	473.0	306.9	54%
Cost of sales - \$/oz sold <sup>(3)</sup>	722	753	(4%)	786	974	(19%)
Tonnes mined - 000s	46,866	38,185	23%	176,693	147,610	20%
Tonnes ore mined – 000s	4,194	4,463	(6%)	7,289	4,955	47%
Tonnes milled - 000s	1,460	1,547	(6%)	5,596	4,756	18%
Average mill head grade - g/t	8.88	5.13	73%	4.26	2.79	53%
Recovery - %	84.1	77.7	8%	79.3	75.6	5%
Gold produced – ounces	348,130	189,438	84%	600,402	315,238	90%
Gold sold – ounces	353,252	185,936	90%	601,887	314,987	91%
Average realized gold price <sup>(3)</sup> – \$/oz sold	1,271	1,709	(26%)	1,347	1,694	(20%)
Adjusted operating costs <sup>(3)</sup> - \$/oz sold	217	322	(33%)	357	727	(51%)
All-in sustaining costs <sup>(3)</sup> -\$/oz sold	388	618	(37%)	775	1,483	(48%)
All-in costs <sup>(3)</sup> -\$/oz sold	407	783	(48%)	853	2,064	(59%)
All-in costs including taxes <sup>(3)</sup> -\$/oz sold	585	1,023	(43%)	1,042	2,301	(55%)
Capital expenditures(sustaining)-\$ millions	9.6	10.5	(9%)	49.7	40.8	22%
Capital expenditures (growth) <sup>(2)</sup> - \$ millions	5.8	24.0	(76%)	39.2	167.6	(77%)
<b>Boroo Operating Results</b>						
Revenue - \$ millions	20.0	50.6	(61%)	133.4	127.2	5%
Cost of sales - \$ millions <sup>(1)</sup>	16.7	27.9	(40%)	86.2	76.4	13%
Cost of sales - \$/oz sold <sup>(3)</sup>	1,064	948	12%	908	1,011	(10%)
Tonnes mined - 000s	-	-	-	-	6,195	(100%)
Tonnes mined heap leach - 000s	-	-	-	-	143	(100%)
Tonnes stacked heap leach – 000s	271	456	(41%)	2,644	456	480%
Tonnes leached – 000s	560	904	(38%)	4,248	904	370%
Tonnes milled - 000s	593	581	2%	2,394	2,382	1%
Average mill head grade - g/t	0.80	2.07	(61%)	1.12	1.32	(15%)
Recovery - %	58.3	58.3	0%	57.6	64.0	(10%)
Gold produced – ounces	14,104	29,878	(53%)	90,318	71,838	26%
Gold sold – ounces	15,702	29,425	(47%)	94,931	75,546	26%
Average realized gold price <sup>(3)</sup> – \$/oz sold	1,272	1,720	(26%)	1,406	1,684	(17%)
Adjusted operating costs <sup>(3)</sup> - \$/oz sold	901	641	41%	683	832	(18%)
All-in sustaining costs <sup>(3)</sup> -\$/oz sold	931	655	42%	765	946	(19%)
All-in costs <sup>(3)</sup> -\$/oz sold	931	672	39%	765	952	(20%)
All-in costs including taxes <sup>(3)</sup> -\$/oz sold	934	892	5%	899	1,108	(19%)
Capital expenditures (Boroo) <sup>(2)</sup> -\$ millions	0.4	0.7	(43%)	7.9	2.9	172%
Capital expenditures (Gatsurt)-\$ millions	0.1	0.1	0%	0.7	0.4	75%

<sup>(1)</sup> Cost of sales excludes regional office administration.

<sup>(2)</sup> excludes capitalized stripping.

<sup>(3)</sup> Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold, all-in costs (including taxes) per ounce sold, as well as average realized gold price per ounce sold and cost of sales per ounce sold, are non-GAAP measures and are discussed under "Non-GAAP Measures".

<sup>(4)</sup> The 2012 comparative period was restated as a result of the adoption of IFRIC 20.

## **Kumtor**

At the Kumtor mine, gold production was 348,130 ounces in the fourth quarter of 2013, which represents 58% of the mine's annual production, compared to 189,438 ounce in the same quarter in 2012. The increase in production for the fourth quarter of 2013 was due to processing high-grade SB Zone ore available from cutback 15. During the fourth quarter of 2013, Kumtor fully mined the remaining 4.2 million tonnes of ore in cut-back 15 at an average grade of 4.46 g/t. Mill head grades for the fourth quarter of 2013 were 8.88 g/t with a recovery of 84.1%, versus 5.13 g/t and a recovery of 77.7% for the same quarter in 2012.

Cost of sales per ounce sold<sup>1</sup> for the fourth quarter of 2013, which includes the impact of DD&A, decreased to \$722 per ounce compared to \$753 per ounce for the same period in 2012. The decrease on a per ounce basis reflects the higher production achieved from the higher grades of cut-back 15, partially offset by higher depreciation costs associated with the significantly greater capitalized stripping required to access ounces in cut-back 15.

All-in sustaining costs per ounce sold<sup>1</sup> was \$388 in the fourth quarter of 2013 compared to \$558 in the comparative quarter of 2012. The decrease results mainly from the significantly higher production, partially offset by higher operating costs in the current period.

All-in costs per ounce sold (pre tax)<sup>1</sup> were \$407 in the fourth quarter of 2013 compared to \$783 in the same quarter of 2012 reflecting the higher production and lower capital requirements in the 2013 quarter.

Exploration expenditures for the fourth quarter of 2013 were \$0.8 million, compared to \$2.9 million for the fourth quarter of 2012. During the fourth quarter of 2013, no exploration drilling was conducted at Kumtor as the Company ceased exploration activities. In the fourth quarter, the Company recorded a \$4.8 million write-down of the exploration inventory at Kumtor.

Capital expenditures spent and accrued in the fourth quarter of 2013 were \$15.4 million which includes \$9.6 million of sustaining capital<sup>1</sup>, \$5.8 million invested in growth capital<sup>1</sup> mainly for relocating infrastructure and \$70.8 million for capitalized stripping. Capital expenditures the comparative quarter of 2012 totaled \$34.5 million, consisting of \$10.5 million for sustaining capital<sup>1</sup> and \$24.0 million for growth capital<sup>1</sup> excluding \$50.3 million of capitalized stripping.

## **Boroo**

At the Boroo mine in the fourth quarter of 2013, gold production was 14,104 ounces, compared to 29,877 ounces in the same period of 2012. The lower production was mainly due processing ore with a lower average mill head grade, 0.80 g/t in the fourth of 2013 compared to processing higher grade ore from Pit 6 with an average mill head grade of 2.07 g/t in the fourth quarter of 2012. In addition lower ounces were poured from the heap leach operation (5,786 ounces vs. 7,486 ounces) as a result of maintenance performed on the heap leach pond in the fourth quarter of 2013.

Cost of sales per ounce sold<sup>1</sup> for the fourth quarter of 2013, which includes the impact of DD&A, increased to \$1,064 per ounce compared to \$948 per ounce for the same period in 2012. The increase on a per ounce basis reflects the higher operating cost incurred to produce and sell lower grade stockpile ore, as Boroo is reaching the end of its mine life.

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<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

All-in sustaining costs per ounce sold<sup>1</sup> were \$931 in the fourth quarter of 2013 compared to \$655 in the comparative quarter of 2012. The increase results mainly from the lower production resulting in a 47% reduction in gold sales.

All-in costs per ounce sold (pre tax)<sup>1</sup> were \$931 in the fourth quarter of 2013 compared to \$672 in the same quarter of 2012 reflects the lower production and resulting reduction in gold sales.

During the fourth quarter of 2013 exploration expenditures in Mongolia decreased to \$1.9 million from \$3.0 million in the same period in 2012. The majority of the exploration work in the fourth quarter 2013 was conducted at the ATO property in eastern Mongolia.

Capital expenditures spent and accrued at Boroo and Gatsuurt in the fourth quarter of 2013 were \$0.5 million compared to \$0.8 million in the same period of 2012. Capital expenditures in 2013 relate to \$0.4 million of sustaining capital<sup>1</sup> at Boroo and \$0.1 million at Gatsuurt.

### **Non-GAAP Measures**

On June 27, 2013, the World Gold Council (WGC) released guidance regarding the non-GAAP measures “All-In Sustaining Costs” and “All-In Costs”. The Company has reviewed the WGC’s recommended measures and assessed their impact. The Company has adopted the WGC’s measures and has modified its calculation of its “all- in cash cost” measure to conform to the industry’s standard following its review. Going forward, the Company will restate the comparative periods and will provide a reconciliation of these new non-GAAP measures to the most comparable GAAP measure.

This news release contains the following non-GAAP financial measures: all-in sustaining costs per ounce sold; all-in costs per ounce sold; all-in costs including taxes per ounce sold; adjusted operating costs per ounce sold; cost of sales per ounce sold; sustaining capital; growth capital; and average realized gold price. These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even against other issuers who may also be applying the WGC guidelines.

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

### **Definitions**

The following is a description of the Non-GAAP measures used in this new release. The definitions are consistent with the WGC’s guidance on these non-GAAP measures:

- *Operating costs* include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs* per ounce sold include operating costs, regional office administration, social development costs related to current operations, refining fees and by-product credits.

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

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

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Year ended December 31,		Fourth Quarter ended December 31,	
	2013	2012	2013	2012
<b><i>Kumtor:</i></b>				
Cost of sales, as reported	\$ 473.0	\$ 306.9	\$ 255.1	\$ 140.0
Less: Non-cash component	282.0	121.0	185.0	84.9
Cost of sales, cash component	\$ 191.0	\$ 185.9	\$ 70.1	\$ 55.1
Adjust for: Regional office administration	18.1	15.5	4.8	4.2
Mine stand-by costs	-	4.6	-	-
Refining fees	3.5	1.9	2.0	1.3
By-product credits	(3.8)	(2.9)	(2.0)	(1.9)
Social development costs related to current	6.2	24.0	1.9	1.3
<b>Adjusted Operating Costs</b>	<b>\$ 215.0</b>	<b>\$ 229.0</b>	<b>\$ 76.8</b>	<b>\$ 59.9</b>
Accretion expense	0.6	0.6	0.2	0.2
Capitalized stripping and ice unload	201.3	196.7	50.6	44.2
Capital expenditures (sustaining)	49.7	40.8	9.6	10.5
<b>All-in Sustaining Costs</b>	<b>\$ 466.6</b>	<b>\$ 467.1</b>	<b>\$ 137.2</b>	<b>\$ 114.9</b>
Capital expenditures (growth)	39.2	165.2	5.8	25.4
Exploration expense	6.1	11.3	0.8	2.9
Other project costs not related to current operations	1.5	6.6	0.1	2.4
<b>All-in Costs</b>	<b>\$ 513.4</b>	<b>\$ 650.2</b>	<b>\$ 143.9</b>	<b>\$ 145.6</b>
Revenue-based taxes	113.5	74.7	62.9	44.5
<b>All-in Costs (including taxes)</b>	<b>\$ 627.0</b>	<b>\$ 724.9</b>	<b>\$ 206.8</b>	<b>\$ 190.1</b>
Ounces sold (000)	601.9	315.0	353.3	185.9
<b>Adjusted Operating Costs per ounce sold</b>	<b>\$ 357</b>	<b>\$ 727</b>	<b>\$ 217</b>	<b>\$ 322</b>
<b>All-in Sustaining Costs per ounce sold</b>	<b>\$ 775</b>	<b>\$ 1,483</b>	<b>\$ 388</b>	<b>\$ 618</b>
<b>All-in Costs per ounce sold</b>	<b>\$ 853</b>	<b>\$ 2,064</b>	<b>\$ 407</b>	<b>\$ 783</b>
<b>All-in Costs (including taxes) per ounce sold</b>	<b>\$ 1,042</b>	<b>\$ 2,301</b>	<b>\$ 585</b>	<b>\$ 1,022</b>
<b><i>Boroo:</i></b>				
Cost of sales, as reported	\$ 86.2	\$ 76.4	\$ 16.7	\$ 27.9
Less: Non-cash component	27.1	21.1	3.7	11.0
Cost of sales, cash component	\$ 59.2	\$ 55.3	\$ 13.0	\$ 16.9
Adjust for: Regional office administration	5.7	5.5	1.4	1.5
Mine stand-by costs	-	-	-	-
Refining fees	0.3	0.3	0.1	0.1
By-product credits	(0.5)	(0.4)	(0.0)	(0.2)
Social development costs related to current	0.1	2.2	(0.2)	0.6
<b>Adjusted Operating Costs</b>	<b>\$ 64.8</b>	<b>\$ 62.9</b>	<b>\$ 14.1</b>	<b>\$ 18.9</b>
Accretion expense	0.3	0.2	0.1	0.0
Capitalized stripping	-	6.3	-	-
Capital expenditures (sustaining)	7.4	2.1	0.4	0.4
<b>All-in Sustaining Costs</b>	<b>\$ 72.6</b>	<b>\$ 71.5</b>	<b>\$ 14.6</b>	<b>\$ 19.3</b>
Capital expenditures (growth)	-	0.3	-	0.3
Exploration expense	-	0.2	-	0.2
Other project costs not related to current operations	-	-	-	-
<b>All-in Costs</b>	<b>\$ 72.6</b>	<b>\$ 71.9</b>	<b>\$ 14.6</b>	<b>\$ 19.8</b>
Income taxes	12.7	11.7	0.1	6.5
<b>All-in Costs (including taxes)</b>	<b>\$ 85.3</b>	<b>\$ 83.7</b>	<b>\$ 14.7</b>	<b>\$ 26.3</b>
Ounces sold (000)	94.9	75.5	15.7	29.4
<b>Adjusted Operating Costs per ounce sold</b>	<b>\$ 683</b>	<b>\$ 832</b>	<b>\$ 901</b>	<b>\$ 641</b>
<b>All-in Sustaining Costs per ounce sold</b>	<b>\$ 765</b>	<b>\$ 946</b>	<b>\$ 931</b>	<b>\$ 655</b>
<b>All-in Costs per ounce sold</b>	<b>\$ 765</b>	<b>\$ 952</b>	<b>\$ 931</b>	<b>\$ 672</b>
<b>All-in Costs (including taxes) per ounce sold</b>	<b>\$ 899</b>	<b>\$ 1,108</b>	<b>\$ 934</b>	<b>\$ 892</b>



## 2) Consolidated

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Year ended December 31,		Fourth Quarter ended December 31,	
	2013	2012	2013	2012
<i>Centerra:</i>				
Cost of sales, as reported	\$ 559.2	\$ 383.3	\$ 271.8	\$ 167.9
Less: Non-cash component	309.0	142.1	188.7	95.9
Cost of sales, cash component	\$ 250.2	\$ 241.2	\$ 83.1	\$ 72.0
Adjust for: Regional office administration	23.7	21.0	6.1	5.6
Mine stand-by costs	-	4.6	-	-
Refining fees	3.8	2.1	2.1	1.4
By-product credits	(4.3)	(3.3)	(2.1)	(2.1)
Social development costs related to current	6.4	26.2	1.7	1.9
<b>Adjusted Operating Costs</b>	<b>\$ 279.9</b>	<b>\$ 291.9</b>	<b>\$ 91.0</b>	<b>\$ 78.8</b>
Corporate General Administrative costs	30.0	26.8	7.7	8.7
Accretion expense	0.9	0.8	0.2	0.2
Capitalized stripping and ice unload	201.3	203.0	50.6	44.2
Capital expenditures (sustaining)	57.7	43.5	10.0	11.1
<b>All-in Sustaining Costs</b>	<b>\$ 569.8</b>	<b>\$ 565.9</b>	<b>\$ 159.6</b>	<b>\$ 143.0</b>
Capital expenditures (growth)	39.9	166.1	5.9	26.0
Exploration and Business Development	29.5	38.5	8.8	11.6
Other project costs not related to current operations	1.9	6.9	0.2	2.4
<b>All-in Costs</b>	<b>\$ 641.1</b>	<b>\$ 777.5</b>	<b>\$ 174.5</b>	<b>\$ 183.0</b>
Revenue-based taxes and income taxes	126.3	86.4	62.9	51.0
<b>All-in Costs (including taxes)</b>	<b>\$ 767.4</b>	<b>\$ 863.9</b>	<b>\$ 237.4</b>	<b>\$ 234.0</b>
Ounces sold (000)	696.8	390.5	369.0	215.4
<b>Adjusted Operating Costs per ounce sold</b>	<b>\$ 402</b>	<b>\$ 747</b>	<b>\$ 247</b>	<b>\$ 366</b>
<b>All-in Sustaining Costs per ounce sold</b>	<b>\$ 818</b>	<b>\$ 1,449</b>	<b>\$ 433</b>	<b>\$ 664</b>
<b>All-in Costs per ounce sold</b>	<b>\$ 920</b>	<b>\$ 1,991</b>	<b>\$ 474</b>	<b>\$ 850</b>
<b>All-in Costs (including taxes) per ounce sold</b>	<b>\$ 1,101</b>	<b>\$ 2,212</b>	<b>\$ 644</b>	<b>\$ 1,087</b>

**Total capital and capitalized stripping presented in the all-in cost calculations can be reconciled as follows:**

<b>Year - 2013</b>	<b>Kumtor</b>	<b>Boroo</b>	<b>All other</b>	<b>Consolidated</b>
<i>(\$ millions, unaudited)</i>				
Capitalized stripping – cash	201.3	-	-	201.3
Sustaining capital - cash	49.7	7.4	0.6	57.7
Growth capital - cash	39.2	-	0.7	39.9
Net increase in accruals included in additions to PP&E	9.8	-	-	9.8
<b>Total - Additions to PP&amp;E</b>	<b>300.0</b>	<b>7.4</b>	<b>1.3</b>	<b>308.7 <sup>(1)</sup></b>
<b>Year - 2012</b>	<b>Kumtor</b>	<b>Boroo</b>	<b>All other</b>	<b>Consolidated</b>
In \$ millions				
Capitalized stripping – cash	168.0	6.3	-	174.3
Sustaining capital – cash	40.8	2.1	0.6	43.5
Growth capital - cash	176.4	0.3	0.5	177.2
Net increase in accruals included in additions to PP&E	10.1	-	-	10.1
<b>Total - Additions to PP&amp;E</b>	<b>395.3</b>	<b>8.7</b>	<b>1.1</b>	<b>405.1 <sup>(1)</sup></b>

<b>Fourth Quarter - 2013</b>	<b>Kumtor</b>	<b>Boroo</b>	<b>All other</b>	<b>Consolidated</b>
<i>(\$ millions, unaudited)</i>				
Capitalized stripping – cash	50.6	-	-	50.6
Sustaining capital - cash	9.6	0.4	0.1	10.1
Growth capital - cash	5.8	-	0.1	5.9
Net increase in accruals included in additions to PP&E	19.4	-	-	19.4
<b>Total - Additions to PP&amp;E</b>	<b>85.4</b>	<b>0.4</b>	<b>0.2</b>	<b>86.0 <sup>(1)</sup></b>
<b>Fourth Quarter - 2012</b>	<b>Kumtor</b>	<b>Boroo</b>	<b>All other</b>	<b>Consolidated</b>
In \$ millions				
Capitalized stripping – cash	27.0	-	-	27.0
Sustaining capital – cash	10.5	0.4	0.2	11.1
Growth capital - cash	36.6	0.3	0.2	37.1
Net increase in accruals included in additions to PP&E	9.1	-	-	9.1
<b>Total - Additions to PP&amp;E</b>	<b>83.2</b>	<b>0.7</b>	<b>0.4</b>	<b>84.3 <sup>(1)</sup></b>

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

## 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 fourth 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 2012 Annual Information Form.

### 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. The original deadline of June 1, 2013 was extended by resolution #3169-V 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.

Following discussions with representatives of the Kyrgyz Government in the third quarter, Centerra announced on September 9, 2013 that it had entered into a non-binding memorandum of understanding ("MOU") with the Government of the Kyrgyz Republic in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for an interest in a joint venture company that would own the Kumtor Project. The MOU recorded the status of negotiations that had been ongoing between management of Centerra and the Kyrgyz Republic advisory working group up until that time and set out certain principles that would guide the potential restructuring transaction.

The Kyrgyz Parliament considered the MOU on October 23, 2013 and passed a decree (the "Decree") with respect to the MOU. In the Decree, Parliament rejects the MOU and orders the Government to (among other things) continue negotiations with Centerra with a view to improving the Kyrgyz Republic's position and increasing its interest in the joint venture project to no less than 67%, to provide for the project to develop the Kumtor mine using underground mining methods, and to provide for the establishment and financing of a centre to monitor the preservation of glaciers. In the Decree, Parliament also recommends that the Kyrgyz Republic General Prosecutor's Office consider pursuing allegations that management of the former parent company of Centerra, Centerra, Kumtor Operating Company, and Kumtor Gold Company violated environmental regulations and committed "other offenses", and that precious metal reserves (silver, tellurium, and other associated components) at the Kumtor deposit were deliberately understated.

In the Decree, Parliament requested that the Government and the General Prosecutor's Office report to Parliament on these matters by December 23, 2013. The Decree provides that if a mutually acceptable solution on the outstanding matters cannot be reached, the Government is ordered to initiate a process to cancel the Kumtor Project Agreements. The Company disputes the allegations contained in the Decree.

Following further discussions with representatives of the Kyrgyz government in the fourth quarter of 2013, Centerra announced on December 24, 2013 that it had entered into a non-binding Heads of Agreement

("HOA") with the Kyrgyz Government which superceded the terms of the previously negotiated MOU. The HOA retains most of the material terms of the MOU, including the following:

- Kyrgyzaltyn would receive a 50% interest in the joint venture company that would own the Kumtor Project in exchange for its 32.7% equity ownership in Centerra.
- The agreements entered into between, among others, Centerra, Kyrgyzaltyn and Government of the Kyrgyz Republic in 2009 would remain in full force and effect, including the tax regime set out in such agreements.
- The Board of the joint venture company would be comprised of an equal number of Centerra and Kyrgyzaltyn representatives. Consistent with Centerra's ability to consolidate the financial results of the Kumtor project, major decisions of the joint-venture company would be subject to discussion and approval by the Board of the joint venture company.
- Centerra would remain the operator/manager of the Kumtor Project pursuant to an operating agreement which would contain typical terms and provisions.
- The operating agreement would also include provisions for compensation for services provided by Centerra and Kyrgyzaltyn.

The HOA also includes certain additional provisions not contained in the MOU, including the following:

- The existing mobile mine equipment at Kumtor, having a value of approximately \$200 million, would be held by Centerra and capital leased to the joint venture for 10 years on commercial terms, following which the joint venture would be entitled to purchase such equipment for \$1.00.
- Further to the equipment lease arrangement, the dividend distribution adjustment of \$100 million (from Kyrgyzaltyn in favour of Centerra) which was in the MOU has been removed.
- Centerra would be entitled to compensation in a fixed amount per year for acting as the manager, which amount will be agreed by the parties and reflected in definitive documents.
- The HOA would resolve, in accordance with the requirements of the laws and agreements of the Kyrgyz Republic, comprehensively and finally, all claims and concerns relating to the Kumtor Project, including but not limited to environmental, technical and land use matters, in accordance with the findings and recommendation of Kyrgyzaltyn's external legal, financial, environmental and technical experts, including AMEC, which has examined the Kumtor Project's environmental and technical practices.
- The joint venture would commit to investments in community development projects in an amount equal to two percent of the prior year's free cash flow (subject to a minimum of \$2 million per year)
- The joint venture would commit to increasing local procurement in the Kyrgyz Republic by an aggregate of \$100 million over the remaining life of the mine and to increase the number of Kyrgyz nationals in management positions at the joint venture.
- At the end of the current life of mine plan in 2026, Kyrgyzaltyn would have the rights to: (a) increase its ownership interest in the Kumtor Project from 50% to 67% for a price equal to fair market value; and (b) recover the gold contained in the tailings facility for \$1.00.
- Kyrgyzaltyn would receive: (a) warrants to acquire six million Centerra shares, with an exercise price of CAD\$10.00 per Centerra share, exercisable for two years after the restructuring; and (b) warrants to acquire four million Centerra shares, with an exercise price of CAD\$12.00 per Centerra share, exercisable for three years after the restructuring.

On February 6, 2014, after their review of the HOA, the Kyrgyz Parliament adopted a resolution which appears to support the concept of the restructuring described in the HOA but also contains a number of recommendations that are materially inconsistent with the terms of the HOA. Among other things, the

resolution calls for further audits of the Kumtor operation and for the Government and the General Prosecutor's Office to continue pursuing claims for environmental and economic damages, which the Company disputes. The Company has not yet received an official copy of the Parliamentary resolution.

The Company believes that the 2009 Kumtor Project Agreements and all previous agreements are legal, valid and enforceable obligations. The Kumtor Project 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. Such agreements provide for all disputes relating to the Kumtor project to be resolved by international arbitration, if necessary.

Centerra expects to continue its discussions with the Government regarding a potential restructuring transaction to resolve all outstanding concerns relating to the Kumtor Project. However, it maintains that any agreement to resolve matters must be fair to all of Centerra's shareholders. Any definitive agreement for a potential restructuring remains subject required approvals in the Kyrgyz Republic, including Government and Parliament of the Kyrgyz Republic, Centerra Special Committee and Board approval, as well as compliance with all applicable legal and regulatory requirements and approvals, including an independent formal valuation and shareholder approval.

While Centerra expects to continue discussions with the Government, there can be no assurance that any transaction will be consummated or that Centerra will be able to successfully resolve any of the matters currently affecting the Kumtor Project. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial conditions.

#### Environmental Claims

As previously disclosed, 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 SIETS environmental claims sought to enforce the previously disclosed environmental claims issued by SIETS in December 2012, seeking compensation in the aggregate amount of \$150 million in relation to (i) placement of waste rock on glaciers; (ii) unpaid use of water from Petrov Lake; (iii) unaccounted industrial and household waste; and (iv) damages caused to land resources (top soil). Each of these claims was dismissed by the Bishkek Inter-District Court and, on appeal, by the Bishkek City Court, on the basis that the arbitration clause in the Restated Investment Agreement requires that all such disputes be resolved through international arbitration. Each of these claims has been appealed to the Kyrgyz Republic Supreme Court.

In addition to the original four claims of SIETS discussed above, SIETS has filed the following additional claims against KOC: (i) on October 12, 2013, a claim in the amount of approximately \$485,000 for damages caused to land resources due to disturbance of land at the Kumtor project (similar to the claim in (iv) above but involving a different area of the Kumtor concession); and (ii) on January 21, 2014, a claim for approximately \$8.5 million for lost agricultural production and lost profits from 1994 to 2042. Kumtor has responded in writing to SIETS disputing both of these additional claims.

With respect to the previously disclosed 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, SAEPP has commenced court proceedings in the Bishkek Inter-District Court, which dismissed the Company's motion to dismiss the claim based on the arbitration provision in the Restated

Investment Agreement although the court is still considering other procedural motions argued by the Company.

On October 11, 2013, Centerra received a statement of claim from the Green Party of Kyrgyzstan in the Bishkek Inter-District Court which seeks damages of approximately \$9 billion for alleged environmental damages arising from the Kumtor operations since 1996. The claimant, Green Party, requests that the damage be paid by Kumtor to the Issyk-Kul Nature Protection and Forestry Development Fund, a Kyrgyz state fund. The claim by the Green Party relates to allegations substantially similar to the claims raised by SIETS and SAEPF.

As previously disclosed, KOC believes the claims are exaggerated and without merit. The Kumtor Project has been the subject of systematic audits and investigations over the years by Kyrgyz and international experts, including by an independent internationally recognized expert who carried out a due diligence review of Kumtor's performance on environmental matters at the request of Centerra's 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.

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.

#### Land Use Claim

On November 11, 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within Kumtor's concession area.

As previously noted, the Company believes that the invalidation of the land use certificate and purported seizure of land is in violation of the Kyrgyz Republic Land Code as well as the Restated Investment Agreement, which provides that 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.

#### Kumtor Waste Dump Movement

As previously disclosed in May 2013, the abnormal waste dump movement experienced at Kumtor has required Kumtor to develop and implement alternative waste rock dumps at the Kumtor mine and to revise its mine development plan. During the third quarter of 2013, Kumtor received final regulatory approval for a revised 2013 annual mining plan that, among other things, allows for the placement of waste rock in the Sarytor Valley, the Davidov Valley and the Lysii Valley. Kumtor is currently working in accordance with the revised plan. Movement of the Central Valley Waste Dump was forecasted in the 2012 Kumtor Technical Report and has now returned to its pre-March 2013 movement rate. The Company continues to make progress in relocating and reconstructing certain infrastructure at Kumtor which was, or is currently, in the path of the Central Valley Waste Dump.

#### Management Assessment

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 Kumtor Project Agreements, which provide

for all disputes to be resolved by international arbitration, if necessary. However, there are no assurances that the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project. There are also no assurances that continued discussions between the Kyrgyz Government and Centerra will result in a mutually acceptable solution regarding the Kumtor project that any agreed upon proposal for restructuring would receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law and that the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto. The inability to successfully resolve the current outstanding matters, including the outstanding environmental claims against Kumtor, 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**

### 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.

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 the Mongolian 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 first half of 2014. If the Mongolian 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 negotiations with the Mongolian Government.

There can be no assurance, however, that the Water and Forest Law will not have a material impact on Centerra's Mongolian operations. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated by the Parliament of Mongolia as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off approximately \$37 million related to the investment in Gatsuurt and approximately \$39 million remaining capitalized for the Boroo mill facility and other surface structures. These amounts represent the capitalized costs at December 31, 2013 associated with its 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 are, in fact, legally and beneficially owned by 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 credit 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 December 31, 2013, Centerra holds in trust, for the benefit of the Sistem court proceeding, approximately Cdn\$11.4 million, including interest earned.

## **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 on 2013 first quarter results dated May 8, 2013 and its 2012 Annual Information Form. Both of these documents can be found on [www.sedar.com](http://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 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 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 SIETS and a claim from SAEPF (which was subsequently withdrawn) relating to alleged environmental damages at the Kumtor project. The SIETS claims are for an aggregate amount of approximately \$150 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 \$0.3 million for unaccounted industrial and household waste
- 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 a 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 and then on December 23, 2013 (as discussed above).

### The Draft Law on Denunciation

On April 9, 2013 an initiative group chaired by Mr. Beknazarov A.A. submitted a draft 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 (namely, the Kumtor Project Agreements), 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.

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.

## 2014 Outlook

Kumtor's forecasted 2014 production and costs discussed in this news release are provided on a 100% basis and the forecast does not make any assumptions regarding possible changes in the structure and management of the Kumtor Project, including without limitation the level of ownership resulting from ongoing discussions with the Government of the Kyrgyz Republic and Kyrgyzaltyn JSC, Centerra's largest shareholder. See "Material Assumption and Risks" for other material assumptions or factors used to forecast production and costs for 2014.

Centerra's 2014 gold production and unit costs are forecast as follows:

	<b>2014 Production Forecast</b> (ounces of gold)	<b>2014 Adjusted Operating Costs<sup>(1)</sup></b> (\$ per ounce sold)	<b>2014 All-in Costs<sup>(2)</sup></b> (\$ per ounce sold)
Kumtor	550,000 – 600,000	\$373 – \$407	\$833 – \$909
Boroo	Approx. 45,000	\$1,533	\$1,557
<b>Consolidated</b>	<b>595,000 – 645,000</b>	<b>\$454 – \$493</b>	<b>\$989 – \$1,074</b>

- (1) Adjusted operating costs per ounce sold is a non-GAAP measure and includes operating costs, regional office administration, community costs related to current operations, refining fees and by-product credits. Operating costs include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude DD&A, reclamation costs, financing costs, capital expenditures and exploration.
- (2) All-in costs per ounce sold is a non-GAAP measure and includes adjusted operating costs, the cash component of capitalized stripping costs, accretion expenses, sustaining and growth capital and additional costs at the consolidated level for, corporate general and administrative expenses, global exploration expenses and social development costs.

## Gold Production

Centerra's 2014 consolidated gold production is expected to be 595,000 to 645,000 ounces.

Centerra estimates that the Kumtor mine will produce between 550,000 and 600,000 ounces in 2014 and, similar to 2013, over 50% of this gold production is expected during the fourth quarter when mining will reach the high-grade section of the SB Zone.

The 2014 production guidance range is lower than that outlined in the life of mine plan set out in the Kumtor technical report filed on December 20, 2012 as a result of a lower 2014 starting ore stockpile inventory and a reduction in the rate of vertical advancement of cut-back 16, which provides access to the high grade SB Zone ore in 2014.

At the Boroo mine, gold production is forecast to be approximately 45,000 ounces. The forecasted annual production at Boroo includes about 20,000 ounces from heap leaching and 25,000 ounces from the mill. The Boroo mill is expected to process ore stockpiles during the year with an average grade of 0.70 g/t gold. The 2014 forecast assumes no mining activities at Boroo or Gatsuert, and no gold production from Gatsuert.

## All-in Unit Costs:

Centerra's 2014 all-in sustaining costs per ounce sold<sup>1</sup> and all-in costs per ounce sold<sup>1</sup> are forecast as follows:

	<b>Kumtor</b>	<b>Boroo</b>	<b>Consolidated</b>
<b>Ounces sold forecast</b>	550,000-600,000	Approximately 45,000	595,000-645,000
<b>US \$ / gold ounces sold</b>			
Operating costs <sup>1</sup>	\$358 – 390	\$956	\$400 – 434
Changes in inventories	(29) – (30)	438 <sup>4</sup>	4 – 4
<b>Operating Costs (on a sales basis)<sup>1</sup></b>	<b>\$329 – 360</b>	<b>\$1,394</b>	<b>\$404 – 438</b>
Regional office administration	32 – 35	128	39 – 42
Community costs related to current operations	13 – 13	13	12 – 14
Refining costs and by-product credits	(1) – (1)	(2)	(1) – (1)
<b>Sub-Total (Adjusted Operating Costs)<sup>1</sup></b>	<b>\$373 – 407</b>	<b>\$1,533</b>	<b>\$454 – 493</b>
Corporate general & administrative costs	–	–	57– 62
Accretion expense	1 – 1	7	1 – 2
Capitalized stripping costs – cash	319 – 348	–	296 – 321
Capital expenditures (sustaining) <sup>1</sup>	69 – 76	17	67 – 72
<b>All-in Sustaining Costs<sup>1</sup></b>	<b>\$762 – 832</b>	<b>\$1,557</b>	<b>\$875 – 950</b>
Capital expenditures (growth) <sup>1</sup>	71 – 77	–	66 – 72
Other costs <sup>2</sup>	–	–	48 – 52
<b>All-in Costs<sup>1</sup></b>	<b>\$833 – 909</b>	<b>\$1,557</b>	<b>\$989 –1,074</b>
Income and Revenue-based taxes <sup>3</sup>	\$175 – 191	–	\$163 – 176
All-in Costs including Taxes <sup>1,3</sup>	\$1,008 –1,100	\$1,557	\$1,152 –1,250

## 2014 Exploration Expenditures

Planned exploration expenditures for 2014 total approximately \$20 million, which is \$9.5 million lower than the 2013 expense of \$29.5 million. No expenditures are planned for exploration at Kumtor which accounts for most of the reduction in the planned exploration costs.

In Mongolia, approximately \$6 million is planned for exploration programs in the greater ATO district. In Turkey, approximately \$3.5 million is allocated for further exploration work on the Öksüt property and \$2.5 million to test exploration targets elsewhere in the region. Exploration spending for Russia is planned at approximately \$3 million and includes funds to complete the assessment of targets on the Dvoynoy and Umlekan earn-in projects.

The 2014 exploration plan also includes \$3 million to fund programs of generative exploration and advanced-project evaluations in Turkey, the Caucasus, Russia, Asia and western Canada. These programs will fund efforts to identify, evaluate and acquire drill-ready through resource-development gold projects in high-

<sup>1</sup> Non-GAAP measure, see discussion under “Non-GAAP Measures”.

<sup>2</sup> Other costs per ounce sold include global exploration expenses, business development expenses, and project development costs not related to current operations.

<sup>3</sup> Includes revenue-based tax that reflects a forecasted gold price assumption of \$1,250 per ounce sold.

<sup>4</sup> The Boroo operation is nearing the end of its mine life. All forecast production and sales are a result of drawing down the existing stockpiles and assumes no mining activities.

ranking geologic terrains.

### 2014 Capital Expenditures

Centerra's projected capital expenditures for 2014, excluding capitalized stripping, are estimated to be \$86 million, including \$43 million of sustaining capital<sup>1</sup> and \$43 million of growth capital<sup>1</sup>.

Projected capital expenditures (excluding capitalized stripping) include:

Projects	2014 Growth Capital <sup>1</sup> (millions of dollars)	2014 Sustaining Capital <sup>1</sup> (millions of dollars)
Kumtor mine	\$43	\$42
Mongolia (Boroo and Gatsuurt)	-	1
<b>Consolidated Total</b>	<b>\$43</b>	<b>\$43</b>

#### *Kumtor*

At Kumtor, 2014 total capital expenditures, excluding capitalized stripping, are forecast to be \$85 million. Spending on sustaining capital<sup>1</sup> relates primarily to the major overhaul maintenance of the heavy duty mine equipment (\$32 million), purchase of replacement mining equipment and ball mill girth gear (\$5 million), tailings dam construction raise (\$3 million) and other items (\$2 million).

Growth capital<sup>1</sup> investment at Kumtor for 2014 is forecast at \$43 million and includes the relocation of certain infrastructure at Kumtor related to the KS-13 life-of-mine expansion plan amounting to \$32 million, dewatering projects (\$4 million) and purchase of new mining equipment (\$7 million).

The cash component of capitalized stripping costs related to the development of the open pit is expected to be \$191 million in 2014.

#### *Mongolia (Boroo and Gatsuurt)*

At Boroo, 2014 sustaining capital<sup>1</sup> expenditures are expected to be \$1 million primarily for maintenance rebuilds and overhauls.

No growth capital<sup>1</sup> is forecast for Boroo or Gatsuurt.

### 2014 Corporate Administration and Social Development

Corporate and administration expense for 2014 is forecast to be \$41 million, which includes \$37 million for corporate and administration costs, and \$4 million for business development activities.

Total planned social development expenditures for 2014 are forecast at \$8 million, which includes \$5 million for donations, and sustainable development projects in the various communities in which Centerra operates and \$3 million for strategic community investment projects.

#### **Öksüt Project**

The Company expects to complete a preliminary economic assessment in the first quarter of 2014 and if such assessment is positive, expects to commence a feasibility study for its Öksüt property in 2014. The total planned spending in 2014 of approximately \$10 million includes work for technical studies, environmental and social impact assessment and project support (collectively, \$6.4 million) and \$3.5 million for exploration (discussed earlier).

<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

## 2014 Depreciation, Depletion and Amortization

Consolidated depreciation, depletion and amortization expense included in costs of sales expense for 2014 is forecasted to be approximately \$290 million before the impact of the 2013 year-end reserve and resource calculations. This includes approximately \$275 million at Kumtor and \$15 million at Boroo. Refer to the Company's 2013 Audited Financial Statements note 11 for further details on the Company's capital assets and the related changes to DD&A.

<i>(In millions)</i>	<b>2014 DD&amp;A Forecast (Unaudited)</b>	<b>2013 DD&amp;A Actual</b>
<b>Kumtor</b>		
Mine equipment	\$ 95	\$ 98
Less DD&A capitalized to stripping costs <sup>(1)</sup>	(71)	(77)
Capital stripping costs amortized	170	331
Other mining assets	5	34
Mill assets	7	6
Administration assets and other	10	14
Inventory movement (non-cash depreciation)	59	(93)
<b>Subtotal for Kumtor</b>	<b>\$ 275</b>	<b>\$ 282</b>
<b>Boroo</b>		
Mine equipment	\$ 1	\$ 1
Less DD&A capitalized to stripping costs	-	-
Stripping costs amortized	-	2
Mine development and other mining assets	-	1
Mill assets	4	6
Administration assets and other	5	10
Inventory movement (non-cash depreciation)	5	7
<b>Subtotal for Boroo</b>	<b>\$ 15</b>	<b>\$ 27</b>
<b>Consolidated Total</b>	<b>\$ 290</b>	<b>\$ 309</b>

(1) Use of the Company's mining fleet for stripping activities results in a portion of the depreciation related to the mine fleet to be allocated to capitalized stripping costs. In 2013, \$77 million of depreciation costs was allocated to capitalized stripping costs.

### ***Kumtor***

At Kumtor, depreciation, depletion and amortization expense included in costs of sales expense for 2013 was \$282 million which is \$81 million higher than the guidance for 2013 provided in the Company's MD&A of February 20, 2013. The increase in the DD&A expense is mainly due to higher amortization expense of capitalized stripping costs (\$40 million), a lower credit for inventory movement (\$34 million) and higher mining and other assets depreciation (\$7 million). The higher amortization of capitalized stripping costs was mainly a result of the adoption of IFRIC 20 which re-stated the 2012 results. Operating costs previously expensed in 2012 in the amount of \$37 million were capitalized as stripping costs as a result of IFRIC 20's adoption. These newly capitalized costs were amortized during 2013 as the ore in the related cut-back was mined, increasing 2013 DD&A expense by \$37 million. The non-cash inventory movement recorded in 2013

of \$93 million was \$34 million lower than the guidance for 2013, reflecting lower than forecasted levels of gold stockpile inventory at the end of 2013 due in part to higher than forecasted ore processing and a negative production reconciliation. The depreciation of mining and other assets was higher than the guidance due to higher production a \$4.8 million write down of exploration related spare parts inventory following the close of the exploration program.

The forecast for 2014 DD&A expensed as part of costs of sales is approximately \$275 million before the impact of the 2013 year-end reserve and resource calculations. The amortization of capitalized stripping costs is the largest component of depreciation expense in 2014 totaling \$170 million. Capitalized stripping costs include mining operating costs such as labour, diesel and maintenance costs, as well as the depreciation expense for the mine equipment used in the stripping campaign. The capitalized stripping costs are amortized over the ounces contained in the ore body exposed by the stripping campaign.

The mine equipment assets are depreciated on a straight-line basis over their estimated useful lives. The total mine equipment depreciation for 2014 is forecasted at \$95 million. The depreciation related to mine equipment engaged in a stripping campaign and capitalized as stripping costs is forecasted to be \$71 million in 2014.

### ***Boroo***

At Boroo, depreciation, depletion and amortization expense included in costs of sales expense for 2013 was \$27 million which is \$10 million higher than the guidance for 2013 provided in the Company's MD&A of February 20, 2013. The increase in the DD&A expense is mainly due to significantly higher production than forecasted in 2013.

The forecast for 2014 DD&A expensed as part of costs of sales is approximately \$15 million before the impact of the 2013 year-end reserve and resource calculations, compared to \$27 million in 2013. The decrease in 2014 reflects a lower forecasted production at Boroo in 2014 compared to 2013. The largest components of depreciation expense are related to depreciation of the mill, the administration buildings and other assets forecasted at \$5 million.

### **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 LLC, is 25% for taxable income over 3 billion Mongolian tugriks (approximately \$1.8 million at the December 31, 2013 foreign exchange rate) with a tax rate of 10% for taxable income up to that amount. Following the expiration of the Boroo Stability Agreement in July 2013, Boroo Gold LLC's corporate income tax rate was unchanged, however the royalty paid to the government 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. In January 2014, the royalty rate was reduced to 2.5% for gold sold to the Bank of Mongolia and Boroo Gold LLC is exploring sales to the Bank of Mongolia as a result. Boroo Gold LLC is forecasted to not pay any income tax in 2014.

Production, cost and capital forecasts for 2014 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially. These risks are discussed herein under the headings "Material Assumptions & Risks" and "Cautionary Note

Regarding Forward-Looking Information” and under the heading “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2012.

### Sensitivities:

Centerra’s revenues, earnings and cash flows for 2014 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	4.9	32.1	27.2	27.2
Diesel Fuel <sup>(1)</sup>	10%	10.5	-	10.5	10.5
Kyrgyz som <sup>(2)</sup>	1 som	3.0	-	3.0	3.0
Mongolian tugrik <sup>(2)</sup>	25 tugrik	0.5	-	0.5	0.5
Canadian dollar <sup>(2)</sup>	10 cents	2.8	-	2.8	2.8

(1) a 10% change in diesel fuel price equals \$16/oz produced

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

### Material Assumptions and Risks:

Material assumptions or factors used to forecast production and costs for 2014 include the following:

- a gold price of \$1,250 per ounce,
- exchange rates:
  - \$1USD:\$1.05 CAD
  - \$1USD:48.5 Kyrgyz som
  - \$1USD:1,600 Mongolian tugriks
  - \$1USD:0.81 Euro
- diesel fuel price assumption:
  - \$0.75/litre at Kumtor
  - \$1.22/litre at Boroo

The Company cannot give any assurances in this regard.

The assumed diesel price of \$0.75/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately \$108 per barrel.

Other material assumptions were used in forecasting production and costs for 2014. The Company cannot give any assurances in this regard. These material assumptions include the following:

- That current discussions between the Government of the Kyrgyz Republic and Centerra regarding a potential restructuring of the Kumtor Project will result in a mutually satisfactory solution to the outstanding matters affecting the Kumtor project, which is fair to all of Centerra’s shareholders, and that such proposal will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.



- Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- The activities of the Kyrgyz Republic Parliament and Government, referred to under the heading “Other Corporate Developments – Kyrgyz Republic” do not have a material impact on operations or financial results. This includes any action being taken by the Parliament or Government purporting to cancel the current project agreements governing the Kumtor Project, or taking any actions which would be inconsistent with the rights of Centerra, Kumtor Gold Company and Kumtor Operating Company under the project agreements governing the Kumtor project.
- The previously disclosed environmental claims received from the Kyrgyz regulatory authorities in the aggregate amount of approximately \$476 million, the claim received from the Kyrgyz Green Party for \$9 billion and the claim of the Kyrgyz Republic’s General Prosecutor’s office purporting to invalidate land use rights and/or seize land at Kumtor, and any further claims, whether alleging environmental allegations or otherwise, are resolved without material impact on Centerra’s operations or financial results.
- The movement in the Central Valley Waste Dump at Kumtor, referred to under the heading “Other Corporate Developments – Kyrgyz Republic – Kumtor Waste Dump Movement”, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production, including the successful demolition of buildings and relocation of certain other infrastructure as planned.
- Grades and recoveries at Kumtor will remain consistent with the 2014 production plan to achieve the forecast gold production.
- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The 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 rotated ring gear or replacement ring gear continue to operate as expected.
- The successful negotiation of new collective agreements at Kumtor and Boroo without any labour actions/strikes and without significantly increasing labour costs. Kumtor’s current agreement expires December 31, 2014 and Boroo’s current agreement expires June 30, 2014
- There are no changes to the Mongolian tax regime which would impact Boroo operations because of the expiry of the Boroo Stability Agreement in July 2013.
- Prices of key consumables, costs of power and water usage fees 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.
- 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 "Cautionary Note Regarding Forward-Looking Information" in this news release and also the Risk Factors listed in the Company's Annual Information Form for the year ended December 31, 2012, available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Centerra Gold Inc.**  
**Condensed Consolidated Statements of Financial Position**

	<b>December 31, 2013</b>	December 31, 2012
<b>(Expressed in Thousands of United States Dollars)</b>		(Restated)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 343,108	\$ 334,115
Short-term investments	158,358	47,984
Amounts receivable	78,707	75,338
Inventories	373,289	292,565
Prepaid expenses	29,191	49,317
	<u>982,653</u>	<u>799,319</u>
Property, plant and equipment	539,070	625,923
Goodwill	129,705	129,705
Restricted cash	10,731	6,087
Other assets	20,276	23,270
Long-term inventories	5,229	10,094
	<u>705,011</u>	<u>795,079</u>
<b>Total assets</b>	<u>\$ 1,687,664</u>	<u>\$ 1,594,398</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,109	\$ 63,940
Short-term debt	75,582	74,617
Revenue-based taxes payable	30,742	18,643
Taxes payable	2,108	5,180
Current portion of provisions	1,194	5,257
	<u>141,735</u>	<u>167,637</u>
Dividend payable	10,636	5,949
Provisions	58,826	49,911
Deferred income tax liability (net)	2,157	1,808
	<u>71,619</u>	<u>57,668</u>
<b>Shareholders' equity</b>		
Share capital	660,486	660,420
Contributed surplus	20,087	36,243
Retained earnings	793,737	672,430
	<u>1,474,310</u>	<u>1,369,093</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 1,687,664</u>	<u>\$ 1,594,398</u>

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

	Three months ended		Twelve months ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>(Expressed in Thousands of United States Dollars)</b> <b>(except per share amounts)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b> <b>(Restated)</b>		<b>(Restated)</b>
<b>Revenue from Gold Sales</b>	<b>\$ 468,918</b>	<b>\$ 368,461</b>	<b>\$ 944,373</b>	<b>\$ 660,737</b>
Cost of sales	<b>271,780</b>	167,896	<b>559,236</b>	383,316
Abnormal mining costs	-	8,855	-	24,769
Mine standby costs	-	-	-	4,585
Regional office administration	<b>6,148</b>	5,636	<b>23,746</b>	21,041
<b>Earnings (loss) from mine operations</b>	<b>190,990</b>	186,074	<b>361,391</b>	227,026
Revenue-based taxes	<b>62,852</b>	44,499	<b>113,532</b>	74,697
Other operating expenses	<b>1,884</b>	4,793	<b>8,259</b>	34,280
Loss on de-recognition of underground assets	-	180,673	-	180,673
Exploration and business development	<b>8,789</b>	11,551	<b>29,572</b>	38,531
Corporate administration	<b>8,106</b>	8,794	<b>30,642</b>	27,046
<b>Earnings (loss) from operations</b>	<b>109,359</b>	(64,236)	<b>179,386</b>	(128,201)
Other (income) expenses, net	<b>518</b>	(56)	<b>3,568</b>	(132)
Finance costs	<b>1,244</b>	1,263	<b>4,989</b>	3,978
<b>Earnings (loss) before income taxes</b>	<b>107,597</b>	(65,443)	<b>170,829</b>	(132,047)
Income tax expense	<b>1,044</b>	5,239	<b>13,153</b>	11,684
<b>Net earnings (loss) and comprehensive income (loss)</b>	<b>\$ 106,553</b>	<b>\$ (70,682)</b>	<b>\$ 157,676</b>	<b>\$ (143,731)</b>
<b>Basic earnings (loss) per common share</b>	<b>\$ 0.45</b>	<b>\$ (0.30)</b>	<b>\$ 0.67</b>	<b>\$ (0.61)</b>
<b>Diluted earnings (loss) per common share</b>	<b>\$ 0.44</b>	<b>\$ (0.30)</b>	<b>\$ 0.64</b>	<b>\$ (0.61)</b>

**Centerra Gold Inc.**  
**Condensed Consolidated Statements of Cash Flows**

	<b>Three months ended</b>		<b>Twelve months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>(Expressed in Thousands of United States Dollars)</b>	(Unaudited)	(Unaudited) (Restated)		(Restated)
<b>Operating activities</b>				
Net earnings (loss)	\$ 106,553	\$ (70,682)	\$ 157,676	\$ (143,731)
Items not requiring (providing) cash:				
Depreciation, depletion and amortization	188,787	102,388	309,389	152,737
Finance costs	1,244	1,262	4,989	3,978
Loss on disposal of equipment	557	932	2,818	1,403
Compensation expense on stock options	588	704	2,830	2,335
De-recognition of underground assets	-	180,673	-	180,673
Change in other provision	(386)	(123)	(613)	614
Income tax expense	1,044	5,239	13,153	11,684
Other operating items	572	(130)	15	(673)
	<b>298,959</b>	<b>220,263</b>	<b>490,257</b>	<b>209,020</b>
Change in operating working capital	46,386	(5,800)	(15,463)	129
Change in long-term inventory	1,413	439	4,865	2,080
Revenue-based taxes applied (advanced)	16,078	155	20,000	(30,000)
Income taxes paid	(3,290)	(5,952)	(15,746)	(7,838)
<b>Cash provided by operations</b>	<b>359,546</b>	<b>209,105</b>	<b>483,913</b>	<b>173,391</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(85,956)	(84,279)	(308,682)	(405,094)
Net (purchase) redemption of short-term investments	(120,566)	(45,985)	(110,374)	324,683
Purchase of interest in Öksüt Gold Project- net of cash acquired	-	-	(19,742)	-
Increase in restricted cash	299	(3,096)	(4,644)	(5,908)
Decrease (increase) in other assets	892	6,752	2,222	(1,070)
Proceeds from disposition of fixed assets	24	32	205	79
<b>Cash used in investing</b>	<b>(205,307)</b>	<b>(126,576)</b>	<b>(441,015)</b>	<b>(87,310)</b>
<b>Financing activities</b>				
Dividends paid	(8,706)	(6,571)	(31,085)	(22,238)
Payment of interest and other borrowing costs	(1,412)	(231)	(2,820)	(1,416)
Proceeds from short term debt	-	-	-	76,000
Proceeds from common shares issued for cash	-	(20)	-	149
<b>Cash (used in) provided by financing</b>	<b>(10,118)</b>	<b>(6,822)</b>	<b>(33,905)</b>	<b>52,495</b>
Increase in cash during the period	144,121	75,707	8,993	138,576
Cash and cash equivalents at beginning of the period	198,987	258,408	334,115	195,539
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 343,108</b>	<b>\$ 334,115</b>	<b>\$ 343,108</b>	<b>\$ 334,115</b>
<b>Cash and cash equivalents consist of:</b>				
Cash	\$ 57,087	\$ 51,675	\$ 57,087	\$ 51,675
Cash equivalents	286,021	282,440	286,021	282,440
	<b>\$ 343,108</b>	<b>\$ 334,115</b>	<b>\$ 343,108</b>	<b>\$ 334,115</b>

Centerra Gold Inc.  
Condensed Consolidated Statements of Shareholders' Equity

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

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Retained Earnings	Total
<b>Balance at January 1, 2012 (restated)</b>	236,339,041	\$ 660,117	\$ 33,994	\$ 844,348	\$ 1,538,459
Share-based compensation expense	-	-	2,335	-	2,335
Shares issued on exercise of stock options	30,752	235	(86)	-	149
Shares issued on redemption of restricted share units	6,218	68	-	-	68
Dividend declared	-	-	-	(28,187)	(28,187)
Net loss for the period	-	-	-	(143,731)	(143,731)
<b>Balance at December 31, 2012 (restated)</b>	236,376,011	\$ 660,420	\$ 36,243	\$ 672,430	\$ 1,369,093
<b>Balance at January 1, 2013 (restated)</b>	<b>236,376,011</b>	<b>\$ 660,420</b>	<b>\$ 36,243</b>	<b>\$ 672,430</b>	<b>\$ 1,369,093</b>
Share-based compensation expense	-	-	2,830	-	2,830
Adjustment for acquisition of 30% non-controlling interest	-	-	(18,986)	-	(18,986)
Shares issued on redemption of restricted share units	14,208	66	-	-	66
Dividend declared	-	-	-	(36,369)	(36,369)
Net earnings for the period	-	-	-	157,676	157,676
<b>Balance at December 31, 2013</b>	<b>236,390,219</b>	<b>\$ 660,486</b>	<b>\$ 20,087</b>	<b>\$ 793,737</b>	<b>\$ 1,474,310</b>

*To view the 2013 Management's Discussion and Analysis and the Audited Financial Statements and Notes for the year ended December 31, 2012, please visit the following link:*

<http://media3.marketwire.com/docs/CG2013-YEMDA.pdf>

The 2013 Audited Financial Statements and Notes and Management's Discussion and Analysis for the year-ended December 31, 2013 have been filed on the System for Electronic Document Analysis and Retrieval ('SEDAR') at [www.sedar.com](http://www.sedar.com) and are available at the Company's web site at: [www.centerragold.com](http://www.centerragold.com)

**Qualified Person & QA/QC**

All reserve and resource estimates, production information and other related scientific and technical information in this news release were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* and were prepared, reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Dan Redmond, Ontario Professional Geoscientist, Centerra's Director, Technical Services – Mining, who is the qualified person for the purpose of NI 43-101. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs are used with the exception of the Kumtor project as described in its Technical Report.

The Kumtor deposit is described in Centerra's 2012 Annual Information Form and a technical report dated December 20, 2012, which is filed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report is prepared in accordance with NI 43-101 and describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are described in the technical report.

The Boroo deposit is described in Centerra's 2012 Annual Information Form and a technical report dated December 17, 2009 prepared in accordance with NI 43-101, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

The Gatsuurt deposit is described in Centerra's 2012 Annual Information Form and a technical report dated May 9, 2006 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt project are the same as, or similar to, those described in the technical report.

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, results of operations or 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, and results of operations or cash flows. See the sections entitled "Risk Factors" in the Company's most recently filed annual information form, available on SEDAR at [www.sedar.com](http://www.sedar.com) and see also the discussion below under the heading "Cautionary Note Regarding Forward-looking Information".

### **Cautionary Note Regarding Forward-looking Information**

Information contained in this news release and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and may be "forward looking information" for the purposes of Canadian securities laws. Such forward looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things, general economic indicators affecting the price of gold and gold production, interest rates, and exchange rates, the Company's plans for future borrowing under its revolving credit facility, 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 and a possible restructuring of the Kumtor project into a joint venture, the resolution of environmental claims received from SIETS and SAEPF by Kumtor in 2012 and 2013, the environmental claim received from the Green Party of Kyrgyzstan in the amount of \$9 billion, the claim of the General Prosecutor's Office of the Kyrgyz Republic purporting to invalidate Kumtor's land use certificate and to seize certain lands within the Kumtor concession area and the draft Kyrgyz law on denunciation having no material impact on Kumtor operations, 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 Company's ability to access and mine high-grade ore in the SB Zone at Kumtor, the Company's future production for 2014, including estimates of adjusted operating costs<sup>1</sup> and all-in unit costs<sup>1</sup>, 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 2014, processing activities at Boroo, 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, plans for mining, processing and construction at Gatsuurt, asset retirement obligations, future planned exploration expenditures; the Company's business and political environment and business prospects; hedging activities; the timing and development of new deposits; and Centerra's plans to complete a preliminary economic assessment and commence a feasibility study for its Öksüt property in 2014.

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<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

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. Material assumptions used to forecast production and costs include those described under the heading “Material Assumptions and Risks”. 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 project agreements governing the Kumtor Project (the “Kumtor Project Agreements”) and any proposals to restructure the Kumtor project into a joint venture, the impact of any actions taken by the Kyrgyz authorities or political groups relating to allegations of environmental violations and other offences and the deliberate understatement of the reserves by management, 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; (B) risks related to operational matters and geotechnical issues, including the movement of the Central Valley Waste Dump, 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 ability of the Company to access and mine the high-grade ore in the SB Zone, 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 earn-in arrangements, 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 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 2012, and 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 “Risks that can affect our business” in the Company’s Annual Information Form for the year ended December 31, 2012, available on SEDAR at [www.sedar.com](http://www.sedar.com).

Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is



dependent upon the demonstration of their profitable recovery. Economic and technological factors which may change over time always influence the evaluation of reserves or resources. Centerra has not adjusted mineral resource figures in consideration of these risks and, therefore, Centerra can give no assurances that any mineral resource estimate will ultimately be reclassified as proven and probable reserves.

Centerra's mineral reserve and mineral resource figures are estimates and Centerra can provide no assurances that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its mineral reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that these mineral reserve and mineral resource estimates are well established and the best estimates of Centerra's management, by their nature mineral reserve and mineral resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences which may ultimately prove unreliable. If Centerra's reserve or reserve estimates for its properties are inaccurate or are reduced in the future, this could have an adverse impact on Centerra's future cash flows, earnings, results or operations and financial condition.

Centerra estimates the future mine life of its operations. Centerra can give no assurance that mine life estimates will be achieved. Failure to achieve these estimates could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

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 February 19, 2014. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward looking information, except as required by applicable law.

### **About Centerra**

Centerra Gold Inc. 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 the largest Western-based gold producer in Central Asia. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is based in Toronto, Ontario, Canada.

### **Conference Call**

Centerra invites you to join its 2013 fourth quarter, year-end conference call on Thursday, February 20, 2014 at 11:00AM Eastern Time. The call is open to all investors and the media. To join the call, please dial Toll-Free in North America (800) 734-8507 or International callers dial +1 (212) 231-2900. Alternatively, an audio feed web cast will be available on [www.centerragold.com](http://www.centerragold.com). A recording of the call will be available on [www.centerragold.com](http://www.centerragold.com) shortly after the call, and via telephone until midnight on Thursday, February 27, 2014 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21704596.

### **For more information:**

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**Additional information on Centerra is available on the Company's web site at [www.centerragold.com](http://www.centerragold.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).**

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