Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the period ended June 30, 2014

The following discussion has been prepared as of July 29, 2014, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and six months ended June 30, 2014 in comparison with the corresponding periods ended June 30, 2013. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and six months ended June 30, 2014. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2013 and 2012, the related MD&A and the Annual Information Form for the year ended December 31, 2013 (the "2013 Annual Information Form"). The condensed interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company's accounting policies as described in note 3 of its annual consolidated financial statements for the year ending December 31, 2013. All dollar amounts are expressed in United States (U.S.) dollars, except as otherwise indicated. In addition, this discussion contains forward-looking information regarding Centerra's business and operations. See "Caution Regarding Forward-Looking Information" in this discussion and "Risk Factors" in the Company's 2013 Annual Information Form. The Company's 2013 Annual Report and 2013 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

All references in this document denoted with ^{NG}, indicate a non-GAAP term which is discussed under "Non-GAAP Measures" on pages 27 to 31.

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Overview

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

The Company's significant subsidiaries include Kumtor Gold Company in the Kyrgyz Republic, Boroo Gold LLC and Centerra Gold Mongolia LLC (owner of the Gatsuurt property and Altan Tsagaan Ovoo ("ATO") property) in Mongolia and Öksüt Madencilik A.S. in Turkey, each of which is a wholly-owned subsidiary.

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

Recent Developments

Kumtor Operations

- As previously disclosed in February 2014, the movement of the south arm of the Davidov glacier, located at the southernmost portion of the Kumtor Central Pit, increased beyond anticipated rates. In response to the increased movement, a buttress was constructed from run of mine waste material beginning in late February. The buttress is located at the bottom of the advancing Davidov glacier on the edge of the ultimate pit design and has, thus far, been effective to reduce the rate of movement to planned levels. The buttress as designed is working effectively and on-going monitoring will continue. There can be no assurance that the buttress will ultimately stop or sufficiently slow down the movement of the Davidov glacier.
- On April 23, 2014, the Parliament of the Kyrgyz Republic passed a law prohibiting activities which affect glaciers in the Kyrgyz Republic (the "Glacier Law"). However, in June 2014 the President rejected the proposed law and has returned it to Parliament for further consideration.
- On June 13, 2014 Kumtor obtained approval for its 2014 annual mine plan from relevant Kyrgyz governmental agencies. See "Other Corporate Developments – Kyrgyz Republic".

Mongolian Operations

- The Company continued discussions with the Mongolian Government regarding the Gatsuurt project during the second quarter. The Company expects that the Mongolian Parliament will consider the designation of Gatsuurt as a strategic deposit by the end of 2014. If Parliament ultimately approves this designation, it would have the effect of excluding Gatsuurt from the application of the Mongolian Water and Forest Law and would allow Mongolia to acquire up to a 34% interest in Gatsuurt. The terms of such participation would be subject to further negotiations with the Government. See "Other Corporate Developments – Mongolia".
- The Boroo mill experienced an unscheduled maintenance shutdown when the ball mill contactor / breaker failed on May 16, 2014. Partial milling activities resumed on May 22, 2014 and full operation resumed on June 17, 2014 when a replacement unit was installed.
- Subsequent to the end of the quarter, the Company and Boroo's trade union signed a new 2-year collective agreement which will expire on June 30, 2016.

Consolidated Financial and Operating Highlights

Unaudited *($ millions, except as noted)*	Three Months Ended June 30,			Six Months Ended June 30,		
Financial Highlights	**2014**	**2013**	**% Change**	**2014**	**2013**	**% Change**
Revenue	**119.5**	128.2	(7%)	**267.5**	320.5	(17%)
Cost of sales	**109.4**	84.6	29%	**218.5**	175.8	24%
Revenue-based taxes	**14.0**	13.5	4%	**32.4**	34.3	(6%)
Exploration and business development [(1)]	**4.0**	6.3	(37%)	**6.6**	13.4	(51%)
Corporate administration	**11.8**	7.2	64%	**18.3**	13.9	32%
(Loss) Earnings from operations	**(29.0)**	8.6	(437%)	**(25.2)**	67.4	(137%)
Net (loss) earnings	**(31.7)**	1.6	(2081%)	**(29.6)**	52.9	(156%)
Earnings (loss) per common share - $ basic [(2)]	**$ (0.13)**	$ 0.01	(1400%)	**$ (0.13)**	$ 0.22	(159%)
Earnings (loss) per common share - $ diluted [(2)]	**$ (0.13)**	$ 0.01	(1400%)	**$ (0.13)**	$ 0.22	(159%)
Cash provided by operations	**71.4**	40.9	75%	**173.4**	132.8	31%
Average gold spot price - $/oz [(3)]	**1,288**	1,415	(9%)	**1,291**	1,532	(16%)
Average realized gold price - $/oz[(4)]	**1,285**	1,376	(7%)	**1,289**	1,512	(15%)
Capital expenditures [(5)]	**111.5**	105.5	6%	**210.4**	209.4	0%
Operating Highlights						
Gold produced – ounces	**92,124**	99,426	(7%)	**208,794**	214,646	(3%)
Gold sold – ounces	**93,004**	93,177	(0%)	**207,497**	211,922	(2%)
Operating costs (on a sales basis) [(6)]	**48.5**	53.0	(8%)	**90.9**	100.3	(9%)
Adjusted operating costs [(4)]	**56.6**	60.7	(7%)	**105.6**	114.0	(7%)
All-in Sustaining Costs [(4)]	**143.3**	143.2	0%	**270.2**	270.0	0%
All-in Costs [(4)]	**160.2**	159.1	1%	**292.8**	310.9	(6%)
All-in Costs - including taxes [(4)]	**174.2**	176.3	(1%)	**325.2**	354.0	(8%)
Unit Costs						
Cost of sales - $/oz sold [(4)]	**1,176**	908	30%	**1,053**	829	27%
Adjusted operating costs - $/oz sold [(4)]	**608**	652	(7%)	**509**	538	(5%)
All-in sustaining costs – $/oz sold [(4)]	**1,540**	1,537	0%	**1,302**	1,274	2%
All-in costs – $/oz sold [(4)]	**1,722**	1,708	1%	**1,411**	1,467	(4%)
All-in costs (including taxes) – $/oz sold [(4)]	**1,873**	1,892	(1%)	**1,567**	1,671	(6%)

(1) Includes business development of $0.1 million in the second quarter and first half 2014 (nil for second quarter and first half 2013).
(2) As at June 30, 2014, the Company had 236,396,821 common shares issued and outstanding.
(3) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate).
(4) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs - including taxes ($ millions and per ounce sold) as well as average realized gold price per ounce and cost of sales per ounce sold are non-GAAP measures and are discussed under "Non-GAAP Measures".
(5) Includes capitalized stripping of $86.9 million and $175.0 million in the second quarter and first half of 2014 ($77.2 million and $151.5 million in the second quarter and first half of 2013).
(6) Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization. Operating costs (on a sales basis) is the same as the cash component of cost of sales and represent the operating costs associated with the ounces sold in the period.

Results of Operations

Second Quarter 2014 compared to Second Quarter 2013

The Company recorded a net loss of $31.7 million in the second quarter of 2014, compared to net earnings of $1.6 million in the comparative quarter of 2013, reflecting increased depreciation, depletion and amortization ("DD&A") and an inventory impairment at Kumtor, as well as lower realized gold prices and higher share-based compensation.

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Production:
Gold production for the second quarter of 2014 totaled 92,124 ounces compared to 99,426 ounces in the comparative quarter of 2013. The decrease in ounces poured reflects lower production at Boroo due to the unscheduled mill downtime, the processing of lower grade ore and lower ounces under primary leach. Production was 8% higher at Kumtor in the second quarter of 2014 as compared to the second quarter of 2013 due to higher mill throughput, higher mill head grades and higher recoveries.

Safety and Environment:
Centerra had five recordable injuries in the second quarter of 2014, two lost time injuries and three medical aid injuries. There were no reportable releases to the environment during the second quarter of 2014.

Financial Performance:
Lower revenue for the second quarter of 2014 resulted primarily from a 7% lower average realized gold price[NG] ($1,285 per ounce compared to $1,376 per ounce in the same quarter of 2013). Sales volumes were consistent with the prior year (93,004 ounces compared to 93,177 ounces in the second quarter of 2013).

Cost of sales increased by 29% to $109.4 million in the second quarter of 2014 due primarily to higher DD&A and an inventory impairment charge at Kumtor. DD&A associated with production increased to $60.9 million in the second quarter of 2014 from $31.6 million in the comparative quarter of 2013, as Kumtor processed higher cost ore from cut-back 15 in the second quarter of 2014 (see "Results of Operating Segments – Kumtor Mine" for further details). In addition, Kumtor recorded an inventory impairment of $14.1 million in the second quarter of 2014, representing the excess of the inventoried cost over the amount the Company believes it could realize after further processing and subsequent sale of the gold.

Exploration expenditures in the second quarter of 2014 totaled $3.9 million compared to $6.3 million in the same period of 2013. The decrease in the second quarter of 2014 reflects the cessation of all exploration activities at Kumtor in the fourth quarter of 2013 (second quarter of 2013 included $2 million of exploration at Kumtor).

Corporate administration costs increased to $11.8 million in the second quarter of 2014 from $7.2 million in the second quarter of 2013 due to an increase in share-based compensation resulting from the revaluation at June 30, 2014 of the awards issued under the Company's share-based plans. The Company's share price increased by 31% during the second quarter of 2014 as compared to a decrease in share price of 45% during the same quarter of 2013. Share-based compensation was $5.3 million in the second quarter of 2014, compared to $0.2 million in the same period in 2013.

Operating Costs:
Operating costs (on a sales basis) decreased by $4.5 million to $48.5 million in the second quarter of 2014 as compared to the second quarter of 2013, reflecting lower mining costs, partially offset by higher milling costs for a liner change at Kumtor and an inventory

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drawdown at Boroo. Mining costs at Kumtor were lower by $6.2 million due to higher capitalization of stripping costs and lower operating costs.

Centerra's all-in costs per ounce sold[NG] for the second quarter of 2014 was $1,722, and includes all cash costs related to gold production, excluding revenue-based taxes in the Kyrgyz Republic. This is comparable to all-in costs[NG] of $1,708 per ounce sold in the second quarter of 2013.

First Half 2014 compared to First Half 2013

The Company recorded a net loss of $29.6 million in the first half of 2014, compared to net earnings of $52.9 million in the comparative period of 2013, reflecting higher DD&A and an inventory impairment at Kumtor, as well as lower ounces sold, lower realized gold prices and higher share-based compensation.

Production:
Gold production for the first half of 2014 totaled 208,794 ounces compared to 214,646 ounces in the comparative period of 2013. The decrease in ounces poured is due to lower production at Boroo due to an unscheduled mill downtime, lower mill grades processed and lower ounces under primary leach, partially offset by higher production at Kumtor due to drawing down in-circuit inventory.

Safety and Environment:
Centerra had six recordable injuries in the first half of 2014, two lost time injuries and four medical aid injuries. There were no reportable releases to the environment during the first half of 2014.

Financial Performance:
Lower revenue for the first half of 2014 resulted primarily from a 15% lower average realized gold price[NG] ($1,289 per ounce compared to $1,512 per ounce in the first half of 2013). Sales volumes were also slightly lower (207,497 ounces compared to 211,922 ounces in the first half of 2013).

Cost of sales increased by 24% to $218.5 million in the first half of 2014 due primarily to higher DD&A and an inventory impairment charge at Kumtor. DD&A associated with production increased to $127.5 million in the first half of 2014 from $75.4 million in the comparative period of 2013. The increase in DD&A resulted from processing higher cost ore from cut-back 15 compared to ore from cut-back 14B which was processed in the second quarter of 2013 (see "Results of Operating Segments – Kumtor Mine" for further details). In addition, Kumtor recorded an inventory impairment charge of $14.6 million in the first half of 2014.

Exploration expenditures in the first half of 2014 totaled $6.5 million compared to $13.4 million in the same period of 2013. The decrease in the first half of 2014 primarily reflects the cessation of all exploration activities at Kumtor in the fourth quarter of 2013 (first half of 2013 included $4.4 million of exploration at Kumtor) and lower spending on the Company's projects in Russia.

Corporate administration costs increased to $18.3 million in the first half of 2014 from $13.9 million in the first half of 2013 due to an increase in share-based compensation. The increase reflects the movement in the Company's share price which increased by 56% during the first half of 2014 as compared to a decrease of 64% during the same period of 2013. Share-based compensation was $6.8 million in the first half of 2014, compared to $0.3 million in the same period in 2013.

Operating Costs:
Operating costs (on a sales basis) decreased by $9.4 million to $90.9 million in the first half of 2014 as compared to the same period of 2013, as a result of significantly higher stripping capitalization at Kumtor and lower heap leach costs at Boroo due to the completion of crushing and stacking activities in 2013. Kumtor also benefited from lower prices on tires and fuel, while Boroo had lower consumption of reagents. This was partially offset by the cost of the mill liner replacement at Kumtor and the drawdown of inventory at both operations in the first half of 2014.

For the first half of 2014, Centerra's all-in costs per ounce sold[NG] was $1,411, compared to all-in costs[NG] of $1,467 per ounce sold in the first half of 2013. The decrease is primarily due to lower spending on sustaining and growth capital[NG] and lower exploration spending, partially offset by lower ounces sold and higher capitalized stripping costs at Kumtor. Capitalized stripping (cash component) increased by 13% to $123.9 million in the first half of 2014 as compared to the first half of 2013, reflecting higher tonnage moved and higher maintenance costs for the augmented fleet.

Cash generation and capital investments

Cash Flow

	Three months ended June 30, [(1)]			**Six months ended June 30,** [(1)]		
Unaudited ($ millions)	**2014**	**2013**	**% Change**	**2014**	**2013**	**% Change**
Cash provided by operating activities	**71.4**	40.9	75%	**173.4**	132.8	31%
Cash provided by (used in) investing activities :						
- Capital additons (cash)	**(83.3)**	(86.2)	(3%)	**(156.1)**	(159.9)	(2%)
- Short-term investments net redeemed (net purchased)	**123.0**	108.3	14%	**(21.1)**	40.0	(153%)
- other investing items	**0.6**	(2.2)	(127%)	**(8.0)**	(24.9)	(68%)
Cash provided by (used in) investing activities - total	**40.3**	19.9	103%	**(185.2)**	(144.8)	28%
Cash used in financing activities	**(8.6)**	(6.7)	28%	**(18.5)**	(14.5)	28%
Increase (decrease) in cash	**103.0**	54.0	91%	**(30.4)**	(26.5)	15%

(1) Results may not add due to rounding.

Second Quarter 2014 compared to Second Quarter 2013

Cash provided from operations in the second quarter of 2014 totaled $71.4 million compared to $40.9 million in the same period of 2013, as a result of lower working capital levels, partially offset by lower earnings in the second quarter of 2014.

Working capital, which consists of amounts receivable, prepaid expenses, gold inventory, supplies inventory and accounts payable, decreased in the second quarter of 2014 by $36.5 million compared to a decrease of $0.7 million in the second quarter of 2013. The decrease in

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the second quarter of 2014 was due to the timing of and payment for gold shipments and a reduction of gold inventory.

Cash provided by investing activities totaled $40.3 million in the second quarter of 2014 compared to $19.9 million in the comparative quarter. The second quarter in both years reflects the redemption of short-term investments ($123 million in 2014 compared to $108 million in 2013), partially offset by similar spending on capital in both years ($83.3 million in 2014 compared to $86.2 million in 2013).

Cash used in financing for both quarters reflects the payment of dividends ($8.6 million in 2014 and $6.7 million in 2013).

First Half 2014 compared to First Half 2013

Cash provided from operations increased to $173.4 million in the first half of 2014 compared to $132.8 million in the first half of 2013, mainly from lower levels of working capital.

Cash used in investing activities totaled $185.2 million in the first half of 2014 compared to $144.8 million in the comparative period, reflecting the net purchase of short-term investments in 2014 compared to a net redemption in 2013. Other investing items in the first half of 2013 include the purchase of the remaining interest in the Öksüt project in Turkey for $19.7 million, net of cash acquired.

Cash used in financing for both periods include dividend payments ($17.0 million in 2014 and $13.1 million in 2013) and payment of interest and commitment fees on Centerra's credit facility.

Cash, cash equivalents and short-term investments at June 30, 2014 decreased to $492.2 million from $501.5 million at December 31, 2013.

Capital Expenditures (spent and accrued):

	Three months ended June 30,			**Six months ended June 30,**		
Unaudited ($ millions)	**2014**	**2013**	**% Change**	**2014**	**2013**	**% Change**
Capital expenditures (Kumtor)	**111.2**	101.6	9%	**209.6**	203.7	3%
Capital expenditures (Boroo & Gatsuurt)	**0.3**	3.8	(92%)	**0.7**	5.2	(87%)
Capital expenditures (Corporate & Others)	**-**	0.1	(100%)	**0.1**	0.5	(80%)
Capital expenditures (Consolidated)	**111.5**	105.5	6%	**210.4**	209.4	0%

Sustaining capital^{NG} in the second quarter of 2014 was $13 million (including $12.9 million at Kumtor and $0.1 million at Boroo), compared to $18.7 million in 2013 (including $15.0 million at Kumtor and $3.6 million at Boroo). Growth capital^{NG}, excluding capitalized stripping, was $11.6 million in the second quarter of 2014, spent mainly on infrastructure relocation and equipment purchases at Kumtor, compared to $9.3 million the prior year, spent mainly on the fleet expansion at Kumtor. Capitalized stripping in the second quarter of 2014 totaled $86.9 million, as compared to $77.2 million in the comparative quarter of 2013, spent on stripping activities in cut-backs and in the ice unload areas at Kumtor.

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In the first half of 2014, sustaining capital[NG] totaled $21.6 million compared to $32.1 million in the comparative period of 2013, due to higher spending on equipment overhauls in the comparative period. Growth capital[NG], excluding capitalized stripping, was $13.8 million and $25.8 million in the first half of 2014 and of 2013 respectively. The first half of 2013 included growth spending at Kumtor on its fleet expansion. Capitalized stripping totaled $175 million in the first half of 2014 for work performed at Kumtor mainly in cut-backs 16 and 17 and in the ice unload areas, while $151.5 million was spent and accrued in the comparative period of 2013 for similar work at Kumtor.

Capitalized stripping in the second quarter and first half of 2014 includes capitalized depreciation of $25.4 million and $51.1 million respectively ($20.6 million and $41.4 million in the second quarter and first half of 2013 respectively).

Credit and Liquidity:
The Company has a $150 million revolving credit facility with the European Bank for Reconstruction and Development (EBRD) from which it has drawn $76 million. This amount is due to be repaid on August 11, 2014. The Company has elected to extend the repayment date to February 2015 pending EBRD's confirmation, which it expects to receive.

Share Capital and Share Options

As of July 29, 2014, Centerra had 236,396,821 common shares issued and outstanding. In addition, as at the same date, the Company had 3,924,318 share options outstanding under its share option plan with exercise prices ranging from Cdn$3.82 to Cdn$22.28 per share, and with expiry dates between 2016 and 2022.

Results of Operating Segments

Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 9.5 million ounces of gold to June 30, 2014.

Overview of Operating Results

Kumtor Operating Results	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
Unaudited ($ millions, except as noted)	**2014**	**2013**	**% Change**	**2014**	**2013**	**% Change**
Revenue	**99.8**	96.5	3%	**231.4**	245.2	(6%)
Cost of sales - cash	**36.0**	40.5	(11%)	**67.6**	72.7	(7%)
Cost of sales - non-cash	**56.9**	25.2	126%	**120.4**	59.3	103%
Cost of sales -total	**92.9**	65.7	41%	**188.0**	132.0	42%
Cost of sales - $/oz sold [(1)]	**1,195**	935	28%	**1,047**	815	28%
Tonnes mined - 000s	**49,527**	47,901	3%	**100,289**	88,085	14%
Tonnes ore mined – 000s	**460**	799	(42%)	**602**	1,008	(40%)
Average mining grade - g/t	**1.40**	1.91	(27%)	**1.41**	2.02	(30%)
Tonnes milled - 000s	**1,430**	1,351	6%	**2,912**	2,824	3%
Average mill head grade - g/t	**2.35**	2.17	8%	**2.50**	2.44	2%
Recovery - %	**73.2%**	69.3%	6%	**74.8%**	72.0%	4%
Mining costs - total ($/t mined material)	**1.30**	1.37	(5%)	**1.28**	1.42	(10%)
Milling costs ($/t milled material)	**11.82**	11.42	4%	**11.45**	11.05	4%
Gold produced – ounces	**77,860**	72,365	8%	**180,793**	161,983	12%
Gold sold – ounces	**77,743**	70,318	11%	**179,658**	161,935	11%
Average realized gold price[(1)] – $/oz sold	**1,284**	1,372	(6%)	**1,288**	1,514	(15%)
Capital expenditures(sustaining) [(1)]	**12.9**	15.0	(14%)	**21.2**	26.8	(21%)
Capital expenditures (growth)[(1)]	**11.4**	9.3	23%	**13.4**	25.4	(47%)
Capital expenditures (stripping)[(1)]	**86.9**	77.2	13%	**175.0**	151.5	16%
Operating costs (on a sales basis) [(2)]	**36.0**	40.5	(11%)	**67.6**	72.7	(7%)
Adjusted operating costs [(1)]	**42.8**	46.4	(8%)	**79.6**	82.9	(4%)
All-in Sustaining Costs [(1)]	**117.5**	118.2	(1%)	**225.3**	220.0	2%
All-in Costs [(1)]	**128.9**	129.5	(0%)	**238.6**	251.3	(5%)
All-in Costs - including taxes [(1)]	**142.9**	143.0	(0%)	**271.0**	285.6	(5%)
Adjusted Operating Costs - $/oz sold [(1)]	**551**	660	(17%)	**443**	512	(13%)
All-in Sustaining Costs - $/oz sold [(1)]	**1,511**	1,681	(10%)	**1,254**	1,359	(8%)
All-in Costs - $/oz sold [(1)]	**1,658**	1,842	(10%)	**1,328**	1,552	(14%)
All-in Costs - including taxes - $/oz sold [(1)]	**1,838**	2,034	(10%)	**1,508**	1,764	(15%)

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

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

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Second Quarter 2014 compared to Second Quarter 2013

Production:

During the second quarter of 2014, Kumtor's mining fleet focused on stripping waste to establish access to the south portion of the Kumtor pit (cut-back 16) while the mill processed predominately stockpiled ore that had been mined and stockpiled during the fourth quarter of 2013.

The total waste and ore mined for the second quarter of 2014 was 49.5 million tonnes compared to 47.9 million tonnes in the comparative period of 2013, representing an increase of 3% due to the increased fleet capacity at Kumtor.

Kumtor produced 77,860 ounces of gold in the second quarter of 2014 compared to 72,365 ounces of gold in the comparative quarter of 2013. The increase in ounces poured was due to the processing of higher grade ore that was mined from cut-back 15. During the second quarter of 2014, Kumtor's head grade was 2.35 g/t with a recovery of 73.2%, compared with 2.17 g/t and a recovery of 69.3% for the same quarter in 2013. Gold recovery rates were higher than the comparative period as the mill processed metallurgically-difficult stockpiled ore during the comparative period of 2013. Tonnes processed were approximately 1.4 million for the second quarter of 2014, which was 6% higher than the comparative quarter of 2013 when the mill was affected by an unscheduled shutdown as a result of protesters' actions.

The increased movement in the Central Valley Waste Dump, which began in mid-March 2013, has accelerated the planned relocation of certain mine infrastructure and 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.

Operating costs:

Mining costs, including capitalized stripping, totaled $64.5 million for the second quarter of 2014 compared to $65.8 million in the comparative quarter of 2013. The Company was successful in procuring longer life radial tires for the entire fleet due to the easing of global tire shortages. As well, diesel costs decreased due to lower prices. The cost savings were partially offset by increased maintenance material and labour costs resulting from an aging Hitachi shovel and track dozer fleets.

Operating costs (on a sales basis), excluding capitalized stripping, decreased to $36.0 million reflecting lower mining costs, partially offset by higher milling costs. Milling costs in the second quarter 2014 were higher by $1.5 million resulting from the change-out of the shell liner in the SAG mill and higher costs for water treatment and maintenance.

DD&A associated with production increased to $60.9 million in the second quarter of 2014 from $31.6 million in the comparative quarter of 2013. The increase in DD&A resulted from processing higher cost ore from cut-back 15 in the second quarter of 2014 compared to ore from cut-back 14B which was processed in the second quarter of 2013. Access to ore from cut-back 15 required more stripping of ice and waste thereby resulting in increased amortization of capitalized stripping costs as the ore was mined and stockpiled. Operating costs were capitalized for the stripping of 142 million tonnes of ice and waste for cut-back 15, whereas 61 million tonnes were stripped and capitalized for cut-back 14B. In addition, the

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expanded mobile fleet at Kumtor was fully commissioned in 2013 thereby attaching a higher equipment cost to the ore from cut-back 15.

The all-in costs per ounce sold[NG] for the second quarter of 2014 was $1,658 compared to $1,842 in the comparative period of 2013, representing a decrease of 10%. The decrease in all-in costs[NG] is mainly due to an 11% increase in gold sold for the second quarter of 2014, partially offset by an increase in capitalized stripping. Capitalized stripping totaled $61.5 million in the second quarter of 2014 ($56.6 million in the second quarter of 2013) reflecting more tonnes moved in stripping cut-backs 16 and 17 in the second quarter of 2014.

First Half 2014 compared to First Half 2013

Production:

With mining activities focused on stripping waste to provide access to higher grade material from cut-back 16, Kumtor processed ore from stockpiles during the first six months of 2014.

The total waste and ore mined for the first six months of 2014 was 100.3 million tonnes compared to 88.1 million tonnes in the comparative period of 2013, representing an increase of 14% due to the increased volume of higher density material mined, the shorter haulage distances of waste material used for construction of the buttress within the pit and the increased fleet capacity. Kumtor accessed incidental ore from the north western zone of cut-back 16 during the first six months of 2014 which resulted in 0.6 million tonnes of ore being mined from this zone at an average grade of 1.41 g/t.

Kumtor produced 180,793 ounces of gold for the first six months of 2014 compared to 161,983 ounces of gold in the comparative period of 2013. The increase in ounces poured was mainly due to the processing of higher grade ore that was mined and stockpiled during the fourth quarter of 2013. During the first six months of 2014, Kumtor's head grade was 2.50 g/t with a recovery of 74.8%, compared with 2.44 g/t and a recovery of 72.0% for the same period in 2013. Tonnes processed were approximately 2.9 million for the first six months of 2014, 3% higher than the comparative period in 2013 as a result of increased mill throughput.

Operating costs:

Mining costs, including capitalized stripping costs, totaled $128.4 million in the first half of 2014 compared to $125.5 million in the comparative period of 2013. The increase was due to increased maintenance material and labour costs to maintain the CAT 789 haul trucks, Hitachi shovel and track dozer fleets ($4.5 million) and blasting costs ($0.8 million) resulting from greater mined tonnage. This was partially offset by lower prices for tires and diesel fuel.

Operating costs (on a sales basis), excluding capitalized stripping, decreased by $5.1 million to $67.6 million in the first half of 2014 as a result of significantly higher capitalization of stripping costs and lower prices on tires and fuel. This was partially offset by the cost of the mill liner replacement, higher cyanide costs due to price increases, higher maintenance costs and the drawdown of inventory in the first half of 2014.

For the first half of 2014, the all-in costs per ounce sold[NG] was $1,328 compared to $1,552 in the comparative period of 2013, representing a decrease of 14%. The decrease in all-in costs[NG]

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is due to an 11% increase in gold sold in the first half of 2014 and $12.1 million, or $75 per ounce, lower growth capital[NG] expenditures as the delivery of the last of the equipment for the expanded mining fleet at Kumtor occurred in the first quarter of the comparative period of 2013. Capitalized stripping totaled $123.9 million in the first half of 2014 ($110.0 million in the same period of 2013) reflecting higher tonnage moved and higher maintenance costs for the augmented fleet.

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Boroo Mine

The Boroo gold mine, located in Mongolia, was the first hard rock gold mine in Mongolia. It has produced approximately 1.8 million ounces of gold since it began operation in 2004.

Mining activities at Boroo were completed in September 2012, though the mill continued to process stockpiled ore during the second quarter of 2014. Heap leach processing activities continued during the second quarter of 2014 however crushing and stacking was completed in 2013.

Overview of Operating Results

Boroo Operating Results	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
Unaudited ($ millions, except as noted)	**2014**	**2013**	**% Change**	**2014**	**2013**	**% Change**
Revenue	**19.7**	31.7	(38%)	**36.1**	75.3	(52%)
Cost of sales - cash	**12.5**	12.5	0%	**23.4**	27.7	(16%)
Cost of sales - non-cash	**4.0**	6.4	(38%)	**7.1**	16.1	(56%)
Cost of sales - total	**16.5**	18.9	(13%)	**30.5**	43.8	(30%)
Cost of sales - $/oz sold (1)	**1,081**	827	31%	**1,096**	876	25%
Tonnes stacked heap leach – 000s	**-**	1,026	(100%)	**-**	1,294	(100%)
Tonnes leached – 000s	**735**	1,083	(32%)	**1,348**	2,886	(53%)
Tonnes milled - 000s	**425**	624	(32%)	**1,007**	1,196	(16%)
Average mill head grade - g/t	**0.67**	1.13	(41%)	**0.66**	1.33	(50%)
Recovery - %	**61.3%**	60.8%	1%	**61.3%**	57.0%	8%
Milling costs ($/t milled material)	**11.33**	8.80	29%	**11.25**	9.34	20%
Gold produced – mill - ounces	**6,305**	13,851	(54%)	**13,319**	29,080	(54%)
Gold produced – heap leach - ounces	**7,959**	13,210	(40%)	**14,682**	23,583	(38%)
Gold produced – total - ounces	**14,265**	27,061	(47%)	**28,001**	52,663	(47%)
Gold sold – ounces	**15,261**	22,858	(33%)	**27,839**	49,987	(44%)
Average realized gold price(1) – $/oz sold	**1,290**	1,388	(7%)	**1,295**	1,506	(14%)
Capital expenditures - sustaining (Boroo)(1)	**0.1**	3.6	(97%)	**0.3**	4.8	(94%)
Capital expenditures - growth (Gatsuurt)(1)	**0.2**	0.3	(33%)	**0.4**	0.4	0%
Operating costs (on a sales basis) (2)	**12.5**	12.5	0%	**23.4**	27.7	(16%)
Adjusted operating costs (1)	**13.7**	14.3	(4%)	**26.0**	31.1	(16%)
All-in Sustaining Costs (1)	**14.0**	17.8	(21%)	**26.6**	35.8	(26%)
All-in Costs (1)	**14.0**	17.8	(21%)	**26.6**	35.8	(26%)
All-in Costs - including taxes (1)	**14.0**	21.4	(35%)	**26.6**	44.6	(40%)
Adjusted Operating Costs - $/oz sold (1)	**901**	627	44%	**935**	622	50%
All-in Sustaining Costs - $/oz sold (1)	**915**	777	18%	**954**	716	33%
All-in Costs - $/oz sold (1)	**915**	777	18%	**954**	716	33%
All-in Costs - including taxes - $/oz sold (1)	**915**	938	(2%)	**954**	892	7%

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

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

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Second Quarter 2014 compared to Second Quarter 2013

Production:

Boroo produced 14,265 ounces of gold in the second quarter of 2014 compared to 27,061 ounces of gold in the second quarter of 2013. The lower gold production results mainly from the unscheduled downtime of the mill and lower head grades. Mill throughput in the second quarter of 2014 was 32% lower than the same period of 2013. Additionally, fewer ounces were poured from the heap leach operation as fewer tonnes were placed under primary leach in the second quarter of 2014.

Mill grades averaged 0.67 g/t with a recovery of 61.3% in the second quarter of 2014, compared to 1.13 g/t with a recovery of 60.8% in the second quarter of 2013.

Operating costs:

Operating costs (on a sales basis) in the second quarter of 2014 were $12.5 million, similar to the second quarter of the prior year. Lower milling activity due to the unscheduled outage and lower heap leaching costs in the current period were offset by a lower contribution of operating costs to inventory, as Boroo drew down on its inventory in the period.

Boroo's all-in costs per ounce sold[NG], including all costs directly related to gold production except income tax, was $915 for the second quarter of 2014 compared to $777 for the same period of 2013. The increase in all-in costs[NG] is primarily due to a 33% decrease in ounces sold at Boroo year-over-year, partially offset by lower adjusted operating costs[NG] and lower sustaining capital[NG] spending.

First Half 2014 compared to First Half 2013

Production:

Boroo produced 28,001 ounces of gold in the first half of 2014 compared to 52,663 ounces of gold in the first half of 2013. The lower gold production resulted mainly from the unscheduled mill downtime and the processing of lower grade ore through the mill. Additionally, fewer ounces were poured from the heap leach operation as fewer tonnes were placed under primary leach in the first half of 2014.

Mill grades averaged 0.66 g/t with a recovery of 61.3% in 2014, compared to 1.33 g/t with a recovery of 57.0% in the first half of 2013.

Operating costs:

Operating costs (on a sales basis) decreased by $4.3 million to $23.4 million in the first half of 2014, mainly as a result of lower heap leach costs ($4.1 million) due to the completion of crushing and stacking activities in 2013 and the lower consumption of reagents due to fewer tonnes leached in the first half of 2014.

For the first half of 2014, Boroo's all-in costs per ounce sold[NG] was $954 compared to $716 for the same period of 2013. The increase in all-in costs[NG] is primarily due to a 44% decrease in ounces sold at Boroo year-over-year, partially offset by lower adjusted operating costs[NG] and lower sustaining capital[NG] spending.

Other Financial Information – Related Party Transactions

Kyrgyzaltyn JSC

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

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

($ thousands)	**Three months ended June 30,**		**Six months ended June 30,**	
	2014	**2013**	**2014**	**2013**
Paid by KGC to Kyrgyzaltyn:				
Contracting services	**$ 390**	$ 640	**$ 648**	$ 1,051
Management fees	**78**	70	**180**	162
Total paid by KGC to Kyrgyzaltyn	**$ 468**	$ 710	**$ 828**	$ 1,213
Gross gold and silver sales from KGC to Kyrgyzaltyn	**$ 100,235**	$ 96,942	**$ 232,489**	$ 246,149
Deduct: refinery and financing charges	**(450)**	(433)	**(1,046)**	(947)
Net sales revenue received by KGC from Kyrgyzaltyn	**$ 99,785**	$ 96,509	**$ 231,443**	$ 245,202

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

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

As at June 30, 2014, $15.7 million was outstanding under the Sales Agreement (December 31, 2013 - $69.4 million). Subsequent to June 30, 2014, the balance receivable from Kyrgyzaltyn was paid in full.

Related party balances

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

(Thousands of US$)		**June 30, 2014**		**December 31, 2013**
Amounts receivable	**$**	**15,691**	$	69,382
Total related party assets	**$**	**15,691**	$	69,382
Dividend payable (net of withholding taxes)	**$**	**10,636**	$	11,233
Net unrealized foreign exchange gain		**(48)**		(597)
		10,588		10,636
Amount payable		**125**		157
Total related party liabilities	**$**	**10,713**	$	10,793

Dividends payable and restricted cash held in trust

An Ontario court order last updated on June 5, 2013, set a maximum of approximately Cdn$11.3 million of Centerra dividends otherwise payable to Kyrgyzaltyn to be held in trust for the benefit of the court proceedings commenced by a Turkish company, Sistem Muhenkislik Insaat Sanayi Tiacaret SA. Pursuant to the court order, the maximum was met in July 2013. As at June 30, 2014, the full amount required under the court order was held in trust. See "Other Corporate Developments – Corporate".

Dividends declared and paid

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

	Three months ended June 30,		**Six months ended June 30,**	
(Thousands of US$)	**2014**	**2013**	**2014**	**2013**
Dividends declared to Kyrgyzaltyn	**$ 2,968**	$ 3,017	**$ 5,576**	$ 6,037
Withholding taxes	**(142)**	(151)	**(281)**	(302)
Net dividends declared to Kyrgyzaltyn	**2,826**	2,866	**5,295**	5,735
Net dividends transferred to restricted cash	**-**	(2,866)	**-**	(5,735)
Net dividends paid to Kyrgyzaltyn	**$ 2,826**	$ -	**$ 5,295**	$ -

Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of an overall decline in gold prices as well as increasing costs. Production continues to be concentrated at the end of the year and this was reflected in the fourth quarter of 2013. Production and sales in 2012 were impacted by the accelerated ice movement at Kumtor which necessitated a change in the mine plan and a delay in the release of gold ore from the pit. Non-cash costs have also progressively

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increased since 2011 as depreciation at Kumtor increased due to its expanded mining fleet and the amortization of capitalized stripping. The fourth quarter of 2012 includes a charge for the loss on de-recognition of the underground assets at Kumtor in the amount of $180.7 million, following the decision to expand the open pit which will partially consume the underground declines. Other operating charges in the second quarter of 2012 include $21 million for social development programs spent by Kumtor on a national micro-credit financing program and $1.1 million accrued by Boroo to increase its funding of a maternity hospital in Ulaanbaatar. The quarterly financial results for the last eight quarters are shown below:

$ millions, except per share data Quarterly Data Unaudited	**2014**		**2013**				**2012**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	**119**	**148**	469	155	128	192	368	69
Net earnings (loss)	**(32)**	**2**	107	(2)	2	51	(71)	(34)
Basic earnings (loss) per share	**(0.13)**	**0.01**	0.45	(0.01)	0.01	0.22	(0.30)	(0.14)
Diluted earnings (loss) per share	**(0.13)**	**0.00**	0.44	(0.01)	0.00	0.21	(0.30)	(0.14)

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. For a more complete discussion of these matters, see the Company's 2013 Annual Information Form available on SEDAR at www.sedar.com.

Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following brief description is only a summary of the current status of such matters. For more complete background and information on these matters, including with respect to the Kyrgyz Parliamentary and State Commissions and their reports, Kyrgyz Parliamentary resolutions, discussions with the Government of the Kyrgyz Republic in relation to the Memorandum of Understanding and the Heads of Agreement relating to the proposed restructuring of the Kumtor Project, various environmental and other claims made by Kyrgyz state agencies and the draft Kyrgyz Law on Denunciation of the Agreement on New Terms for the Kumtor Project, please refer to the description contained in the 2013 Annual Information Form.

Kyrgyz Republic

Negotiations between Kyrgyz Republic and Centerra

Following discussions with representatives of the Kyrgyz Government in the second half of 2013, Centerra announced on December 24, 2013 that it had entered into a non-binding heads of agreement ("HOA") with the Government of the Kyrgyz Republic in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for an interest of equivalent value in a joint venture company that would own the Kumtor Project. 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.

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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 to required approvals in the Kyrgyz Republic, including the 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.

Glacier Law

On April 23, 2014 the Parliament of the Kyrgyz Republic passed a law prohibiting activities which affect glaciers in the Kyrgyz Republic (the "Glacier Law"). Subsequently, the President of the Kyrgyz Republic (who is required to approve legislation prior to it becoming effective) declined to approve the Glacier Law and returned it to Parliament for revision.

Permitting and Regulatory Matters

As previously disclosed, KGC experienced a delay this year in receiving approvals for its 2014 annual mine plan from the relevant Kyrgyz Republic authorities. As a result, Centerra announced on June 2, 2014 that if such approvals were not received by June 13, 2014, the Company would begin an orderly shutdown of operations at Kumtor. However, the Company subsequently announced on June 13, 2014 that KGC had received the necessary approvals of its 2014 annual mine plan and accordingly, no shutdown of the Kumtor mine was necessary.

Dividend Claim

On May 23, 2014, the Kyrgyz Republic General Prosecutor's Office ("GPO") filed a civil claim in Kyrgyz court against KGC which seeks to unwind an inter-corporate dividend declared and paid by KGC to Centerra in December 2013. KGC is a wholly-owned subsidiary of Centerra and the dividend was paid in the normal course of business. The GPO alleges that the dividend was contrary to the procedural requirements of Kyrgyz corporate law. Centerra and KGC dispute such allegations and believe that the dividend complied with the agreements governing the Kumtor Project and all applicable Kyrgyz laws. Centerra also stated that the dividend does not have an impact on the valuation which underlies the restructuring contemplated by the HOA. Accordingly, KGC has contested claims made by the GPO by filing a number of motions with the Kyrgyz courts. These include challenges to, among other things, the jurisdiction of the Kyrgyz courts to hear the claim due to the arbitration provisions of the Restated Investment Agreement which requires all such disputes to be resolved through international arbitration.

Centerra also understands that the GPO has brought criminal proceedings against Mr. D. Japarov, who was a director of KGC (nominated by Kyrgyzaltyn) when the dividend was declared and paid. Mr. Japarov was also Chairman of the management board of Kyrgyzaltyn at that time.

Environmental Claims

As previously disclosed, on June 7, 2013, Kumtor received four claims filed by the Kyrgyz Republic State Inspectorate for Environmental and Technical Safety ("SIETS") with the Bishkek Inter-District Court. The SIETS environmental claims seek to enforce the previously disclosed environmental claims issued by SIETS in December 2012, seeking compensation in the aggregate amount of approximately $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.

SIETS appealed each of these decisions to the Kyrgyz Supreme Court, which upheld the appeal and referred the cases back to the Bishkek Inter-District Court. Notably, the Kyrgyz Supreme Court did not decide the question of jurisdiction but referred the cases back to the court of first instance for "new consideration". Accordingly, the Company will again argue that the Kyrgyz courts do not have jurisdiction to hear these cases due to the international arbitration provision of the Restated Investment Agreement.

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.

The previously disclosed claim commenced by Kyrgyz Republic State Agency for Environmental Protection and Forestry ("SAEPF") for the aggregate amount of approximately $315 million is currently being appealed by KGC on a preliminary motion in the Bishkek City Court.

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

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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.

Management Assessment

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

Mongolia

Gatsuurt

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.

During meetings with representatives of the Mongolian Government, Centerra was advised that the Mongolian Government has developed a list of deposits, which includes Gatsuurt, which was submitted to the Mongolian Parliament for consideration as “strategic deposits”. Centerra expects that Parliament and/or any relevant committees of Parliament will consider this matter further in the second half of 2014. If the Mongolian Parliament ultimately approves this designation, it would have the effect of excluding the Gatsuurt deposit from the application of the Mongolian Water and Forest Law and 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 and the Company may be required to write-off approximately $38.1 million related to the investment in Gatsuurt and approximately $38.7 million of costs that remain capitalized for the Boroo mill facility and other surface structures. These amounts represent the capitalized costs at June 30, 2014 associated with its investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

Corporate

Enforcement Notice by Sistem

In March 2011, a Turkish company, Sistem Muhenkislik Insaat Sanayi Ticaret SA (“Sistem”) initiated a claim in an Ontario court which alleged that the shares in Centerra owned by Kyrgyzaltyn are, in fact, legally and beneficially owned by the Kyrgyz Republic. On April 15, 2014, the Ontario Superior Court of Justice found in favour of Sistem, ruling that the shares of Centerra owned by Kyrgyzaltyn could be seized to satisfy an arbitration award against the Kyrgyz Republic. We understand that Kyrgyzaltyn has appealed this ruling and a hearing in this matter has been set for October 2014.

Pursuant to a separate 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 June 30, 2014, Centerra holds in trust, for the benefit of the Sistem court proceeding, approximately Cdn$11.4 million, including interest earned.

Changes in Accounting Policies

Adoption of New Accounting Standards

Effective January 1, 2014, the Company adopted the new recommendations of IFRIC 21, *Levies* (“IFRIC 21”). IFRIC 21 is an interpretation of the accounting for levies imposed by governments which were accounted for under IAS 37, *Provisions, contingent liabilities and contingent assets* (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event

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(known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Future Changes in accounting policies

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale and loans and receivable categories.

The IASB tentatively decided at its February 2014 meeting to select an effective date of January 1, 2018 as the effective date for the mandatory application of IFRS 9. However, entities may still choose to apply IFRS 9 immediately**.** The Company does not intend to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2014 but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments until the adoption time.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting ("ICFR")

The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to the ICFR during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our ICFR. No such significant changes were identified through their evaluation.

2014 Outlook

Kumtor's forecast for 2014 production and costs discussed in this MD&A 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 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 guidance for production, unit costs, capital spending and expenditures for exploration, corporate administration, community costs and DD&A are unchanged from the previous guidance disclosed in the Company's news release of January 13, 2014, as updated on May 6, 2014.

	2014 Production Forecast (ounces of gold)	**2014 Adjusted Operating Costs**NG ($ per ounce sold)	**2014 All-in Costs**NG ($ per ounce sold)
Kumtor	550,000 – 600,000	$373 – $407	$833 – $909
Boroo	Approx. 45,000	$1,280	$1,308
Consolidated	**595,000 – 645,000**	**$434 – $471**	**$971 – $1,053**

Gold Production

Centerra's 2014 consolidated gold production is expected to be 595,000 to 645,000 ounces. Over 50% of gold production at Kumtor is expected during the fourth quarter when mining will reach the high-grade section of the SB Zone. Based on progress to date, Kumtor's mining fleet is expected to obtain access to high-grade ore from cut-back 16 at the end of the third quarter of 2014.

The 2014 forecast assumes no mining activities at Boroo or Gatsuurt, and no gold production from Gatsuurt.

All-in Unit Costs

Centerra's 2014 all-in sustaining costs per ounce soldNG, which excludes revenue-based tax in the Kyrgyz Republic, and all-in costs per ounce soldNG, which excludes revenue-based tax in the Kyrgyz Republic and income taxes remain unchanged from the previous guidance and are forecast as follows:

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	Kumtor	Boroo [4]	Consolidated
Ounces sold forecast	550,000-600,000	Approximately 45,000	595,000-645,000
US $ / gold ounces sold			
Operating Costs (on a sales basis)	**$329 – 360**	**$1,137**	**$386 – 418**
Regional office administration	32 – 35	131	36 – 41
Community costs related to current operations	13	13	13
Refining costs and by-product credits	(1)	(1)	(1)
Sub-Total (Adjusted Operating Costs) [1]	**$373 – 407**	**$1,280**	**$434 – 471**
Corporate general & administrative costs	–	–	57– 62
Accretion expense	1	11	3
Capitalized stripping costs – cash	319 – 348	–	296 – 321
Capital expenditures (sustaining) [1]	69 – 76	17	67 – 72
All-in Sustaining Costs [1]	**$762 – 832**	**$1,308**	**$857 – 929**
Capital expenditures (growth) [1]	71 – 77	–	66 – 72
Other costs [2]	–	–	48 – 52
All-in Costs [1]	**$833 – 909**	**$1,308**	**$971 –1,053**
Revenue-based tax and income taxes [3]	$175 – 191	-	$163 – 176
All-in Costs (including taxes) [1]	$1,008 –1,100	$1,308	$1,134 –1,229

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

(2) Other costs per ounce sold include global exploration expenses, business development expense and project development costs not related to current operations.

(3) Includes revenue-based tax that reflects a forecast gold price assumption of $1,250 per ounce sold for the second half of 2014.

(4) 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 assume no mining activities.

Öksüt Project

The Company completed a preliminary economic assessment in the first quarter of 2014 and has commenced a feasibility study for its Öksüt property. The total planned spending in 2014 of approximately $10 million remains unchanged from previous guidance and includes work for technical studies, environmental and social impact assessment and project support (collectively, $6.4 million) and $3.5 million for exploration activities.

Royalties

Since January 2014, Boroo has been paying a royalty rate of 2.5% for gold sold to the Bank of Mongolia (reduced from 9% using current gold prices for gold not sold to the Bank of Mongolia).

Sensitivities

Centerra's revenues, earnings and cash flows for the remaining six months of 2014 are sensitive to changes in certain variables. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	Impact on *($ millions)*			
		Costs	Revenues	Cash flow	Earnings before income tax
Gold Price	**$50/oz**	3.1	21.8	18.7	18.7
Diesel Fuel (1)	**10%**	5.3	-	5.3	5.3
Kyrgyz som (2)	**1 som**	0.9	-	0.9	0.9
Mongolian tugrik(2)	**25 tugrik**	0.2	-	0.2	0.2
Canadian dollar (2)	**10 cents**	1.5	-	1.5	1.5

(1) a 10% change in diesel fuel price equals $12/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 the remaining six month of 2014 include the following:

- a gold price of $1,250 per ounce,
- exchange rates:
  - $1USD:$1.09 CAD
  - $1USD:51.0 Kyrgyz som
  - $1USD:1,800 Mongolian tugriks
  - $1USD:0.75 Euro
- diesel fuel price assumption:
  - $0.78/litre at Kumtor
  - $1.09/litre at Boroo

The assumed diesel price of $0.78/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 $109 per barrel.

Other material assumptions were used in forecasting production and costs for 2014. 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.
- All mine plans and related permits and authorizations at Kumtor receive timely approval from all relevant governmental agencies.

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- The buttress constructed at the bottom of the Davidov glacier successfully stops or slows the movement of the Davidov glacier.
- The proposed Glacier Law will not affect mining or other operations at the Kumtor Project.
- 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 in the 2013 Annual Information Form do not have a material impact on operations or financial results. This includes any action being taken by the Parliament or Government to cancel the 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 and the claims of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the $200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, and any further claims, whether alleging environmental allegations or otherwise, are resolved without material impact on Centerra's operations or financial results.
- The movement in the Central Valley Waste Dump at Kumtor, referred to in the 2013 Annual Information Form, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production, including the successful demolition of buildings and relocation of certain other infrastructure as planned.
- Grades and recoveries at Kumtor will remain consistent with the 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 dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The Kumtor ball mill and the rotated ring gear or replacement ring gear continue to operate as expected.
- The successful negotiation of a new collective agreement at Kumtor which expires on December 31, 2014, without any labour actions/strikes and without significantly increasing labour costs.
- Prices of key consumables, costs of power and water usage fees are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.
- All necessary permits, licenses and approvals are received in a timely manner.

The Company cannot give any assurances in this regard.

Non-GAAP Measures

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

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

Definitions

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

- *Operating costs* (on a sales basis) include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs* per ounce sold include operating costs (on a sales basis), regional office administration, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, regional office administration costs, accretion expenses, and sustaining capital. The measure incorporates costs related to sustaining production.
- *All-in costs per ounce sold* include all-in sustaining costs and additional costs for growth capital, corporate general and administrative expenses, global exploration expenses and social development costs not related to current operations.
- *All-in cost per ounce sold* exclude the following:
    - Working capital (except for adjustments to inventory on a sales basis).
    - All financing charges (including capitalized interest).
    - Costs related to business combinations, asset acquisitions and asset disposals.

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    - Other non-operating income and expenses, including interest income, bank charges, and foreign exchange gains and losses.
- *All-in costs including taxes per ounce sold* measure includes revenue-based taxes at Kumtor and income taxes at Boroo.
- *Capital expenditures (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditures (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Average realized gold price* is calculated by dividing revenue derived from gold sales by the number of ounces sold.

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

1) By operation

(unaudited)	Three months ended June 30, (1)		Six months ended June 30, (1)	
($ millions, unless otherwise specified)	**2014**	**2013**	**2014**	**2013**
Kumtor:				
Cost of sales, as reported	**$ 92.9**	$ 65.7	**$ 188.0**	$ 132.0
Less: Non-cash component	**56.9**	25.2	**120.5**	59.3
Cost of sales, cash component	**$ 36.0**	$ 40.5	**$ 67.6**	$ 72.7
Adjust for: Regional office administration	**5.0**	4.4	**9.4**	8.5
Refining fees	**0.5**	0.4	**1.0**	0.9
By-product credits	**(0.4)**	(0.6)	**(1.0)**	(1.2)
Community costs related to current operations	**1.8**	1.6	**2.6**	2.0
Adjusted Operating Costs	**$ 42.8**	$ 46.4	**$ 79.6**	$ 82.9
Accretion expense	**0.3**	0.2	**0.6**	0.3
Capitalized stripping	**61.5**	56.6	**123.9**	110.0
Capital expenditures (sustaining)	**12.9**	15.0	**21.2**	26.8
All-in Sustaining Costs	**$ 117.5**	$ 118.2	**$ 225.3**	$ 220.0
Capital expenditures (growth)	**11.4**	9.3	**13.3**	25.4
Exploration expense	**-**	2.0	**(0.1)**	4.4
Other project costs not related to current operations	**-**	-	**-**	1.4
All-in Costs	**$ 128.9**	$ 129.5	**$ 238.6**	$ 251.3
Revenue-based taxes	**14.0**	13.5	**32.4**	34.3
All-in Costs (including taxes)	**$ 142.9**	$ 143.0	**$ 271.0**	$ 285.6
Ounces sold (000s)	**77.7**	70.3	**179.7**	161.9
Adjusted Operating Costs per ounce sold	**$ 551**	$ 660	**$ 443**	$ 512
All-in Sustaining Costs per ounce sold	**$ 1,511**	$ 1,681	**$ 1,254**	$ 1,359
All-in Costs per ounce sold	**$ 1,658**	$ 1,842	**$ 1,328**	$ 1,552
All-in Costs (including taxes) per ounce sold	**$ 1,838**	$ 2,034	**$ 1,508**	$ 1,764
Boroo:				
Cost of sales, as reported	**$ 16.5**	$ 18.9	**$ 30.5**	$ 43.8
Less: Non-cash component	**4.0**	6.4	**7.1**	16.1
Cost of sales, cash component	**$ 12.5**	$ 12.5	**$ 23.4**	$ 27.7
Adjust for: Regional office administration	**1.1**	1.5	**2.4**	3.0
Mine stand-by costs	**0.2**	-	**0.2**	-
Refining fees	**-**	0.1	**0.1**	0.2
By-product credits	**-**	(0.2)	**(0.1)**	(0.3)
Community costs related to current operations	**(0.1)**	0.5	**0.1**	0.5
Adjusted Operating Costs	**$ 13.7**	$ 14.3	**$ 26.0**	$ 31.1
Accretion expense	**0.1**	0.1	**0.2**	0.2
Capitalized stripping	**-**	-	**-**	-
Capital expenditures (sustaining)	**0.1**	3.4	**0.3**	4.6
All-in Sustaining Costs	**$ 14.0**	$ 17.8	**$ 26.6**	$ 35.8
Capital expenditures (growth)	**-**	-	**-**	-
Exploration expense	**-**	-	**-**	-
Other project costs not related to current operations	**-**	-	**-**	-
All-in Costs	**$ 14.0**	$ 17.8	**$ 26.6**	$ 35.8
Income taxes	**-**	3.7	**-**	8.8
All-in Costs (including taxes)	**$ 14.0**	$ 21.4	**$ 26.6**	$ 44.6
Ounces sold (000s)	**15.3**	22.9	**27.8**	50.0
Adjusted Operating Costs per ounce sold	**$ 901**	$ 627	**$ 935**	$ 622
All-in Sustaining Costs per ounce sold	**$ 915**	$ 777	**$ 954**	$ 716
All-in Costs per ounce sold	**$ 915**	$ 777	**$ 954**	$ 716
All-in Costs (including taxes) per ounce sold	**$ 915**	$ 938	**$ 954**	$ 892

(1) Results may not add due to rounding.

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2) Consolidated

(unaudited) ($ millions, unless otherwise specified)	Three months ended June 30, (1) 2014	2013	Six months ended June 30, (1) 2014	2013
Centerra:				
Cost of sales, as reported	**$ 109.4**	$ 84.6	**$ 218.5**	$ 175.8
Less: Non-cash component	**60.9**	31.6	**127.6**	75.4
Cost of sales, cash component	**$ 48.5**	$ 53.0	**$ 90.9**	$ 100.3
Adjust for: Regional office administration	**6.1**	5.9	**11.8**	11.5
Mine stand-by costs	**0.2**	-	**0.2**	-
Refining fees	**0.5**	0.5	**1.1**	1.1
By-product credits	**(0.4)**	(0.7)	**(1.1)**	(1.5)
Community costs related to current operations	**1.7**	2.1	**2.7**	2.5
Adjusted Operating Costs	**$ 56.6**	$ 60.7	**$ 105.6**	$ 114.0
Corporate General Administrative costs	**11.7**	7.1	**18.2**	13.8
Accretion expense	**0.4**	0.2	**0.8**	0.5
Capitalized stripping and ice unload	**61.5**	56.6	**123.9**	110.0
Capital expenditures (sustaining)	**13.0**	18.5	**21.6**	31.8
All-in Sustaining Costs	**$ 143.3**	$ 143.2	**$ 270.2**	$ 270.0
Capital expenditures (growth)	**11.6**	9.6	**13.8**	25.8
Exploration and Business Development	**4.1**	6.3	**6.6**	13.4
Other project costs not related to current operations	**1.3**	0.1	**2.2**	1.6
All-in Costs	**$ 160.2**	$ 159.1	**$ 292.8**	$ 310.9
Revenue-based taxes and income taxes	**14.0**	17.2	**32.4**	43.1
All-in Costs (including taxes)	**$ 174.2**	$ 176.3	**$ 325.2**	$ 354.0
Ounces sold (000s)	**93.0**	93.2	**207.5**	211.9
Adjusted Operating Costs per ounce sold	**$ 608**	$ 652	**$ 509**	$ 538
All-in Sustaining Costs per ounce sold	**$ 1,540**	$ 1,537	**$ 1,302**	$ 1,274
All-in Costs per ounce sold	**$ 1,722**	$ 1,708	**$ 1,411**	$ 1,467
All-in Costs (including taxes) per ounce sold	**$ 1,873**	$ 1,892	**$ 1,567**	$ 1,671

(1) Results may not add due to rounding.

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

Second quarter	**Kumtor**	**Boroo**	**All other**	**Consolidated**
($ millions) ***(Unaudited)*** **2014**				
Capitalized stripping –cash	**61.5**	**-**	**-**	**61.5**
Sustaining capital - cash	**12.9**	**0.1**	**-**	**13.0**
Growth capital - cash	**11.4**	**-**	**0.2**	**11.6**
Net increase in accruals included in additions to PP&E	**(2.8)**	**-**	**-**	**(2.8)**
Total - Additions to PP&E	**83.0**	**0.1**	**0.2**	**83.3** [(1)]
2013				
Capitalized stripping – cash	56.6	-	-	56.6
Sustaining capital – cash	15.0	3.4	0.1	18.5
Growth capital - cash	9.3	-	0.3	9.6
Net decrease in accruals included in additions to PP&E	1.6	-	-	1.6
Total - Additions to PP&E	82.5	3.4	0.4	86.3 [(1)]

First Half	**Kumtor**	**Boroo**	**All other**	**Consolidated**
($ millions) ***(Unaudited)*** **2014**				
Capitalized stripping –cash	**123.9**	**-**	**-**	**123.9**
Sustaining capital - cash	**21.2**	**0.3**	**0.1**	**21.6**
Growth capital - cash	**13.3**	**-**	**0.5**	**13.8**
Net increase in accruals included in additions to PP&E	**(3.2)**	**-**	**-**	**(3.2)**
Total - Additions to PP&E	**155.2**	**0.3**	**0.6**	**156.1** [(1)]
2013				
Capitalized stripping – cash	110.0	-	-	110.0
Sustaining capital – cash	26.8	4.6	0.5	31.9
Growth capital - cash	25.4	-	0.3	25.7
Net increase in accruals included in additions to PP&E	(7.7)	-	-	(7.7)
Total - Additions to PP&E	154.5	4.6	0.8	159.9 [(1)]

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

Qualified Person & QA/QC

The scientific and technical information in this MD&A, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 and were prepared, reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Gordon Reid, Professional Engineer and Centerra's Vice-President and Chief Operating Officer, who is the qualified person for the purpose of NI 43-101. Mr. Reid will supervise the preparation, review, verification and compilation of such information as the qualified person following the departure of Mr. Dan Redmond from the Company and until Mr. Redmond's replacement develops sufficient knowledge and familiarity with the Company's projects to take on such responsibility.

Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be "forward-looking information" for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things, 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 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 pursuant to the terms of the HOA, the resolution of environmental claims received by Kumtor from SIETS and SAEPF in December 2012 and February 2013, the claims of the Kyrgyz General Prosecutor's Office's purporting to invalidate Kumtor's land use certificate and to seize certain lands within the Kumtor concession area, and to unwind an inter-corporate dividend declared and paid by KGC to Centerra, statements regarding the Company's ability to successfully manage the movement of the Davidov Glacier and the increased rate of movement of the Davidov Waste-rock Dump (Central Valley Waste Dump), the construction of a buttress at the bottom of the Davidov Glacier and the monitoring and effectiveness of the buttress, and the Company's ability to successfully demolish certain buildings and relocate other infrastructure at Kumtor, the Company's ability to mine high grade ore in the SB Zone at Kumtor, statements regarding the Company's future production in 2014, including estimates of cash operating costs, all-in sustaining costs per ounce sold[NG], all-in costs per ounce sold[NG], all-in costs per ounce sold (including taxes)[NG], capital expenditures (sustaining)[NG] and capital expenditures (growth)[NG], exploration and drilling plans and expenditures and the success thereof, capital expenditures, mining plans at Kumtor; processing activities at Boroo and royalties and taxes to be paid by Boroo; the outcome of discussions with the Mongolian government on the potential development of the Company's Gatsuurt deposit, the impact of the Water and Forest Law on the Company's Mongolian activities; and the Company's ability to carry out a feasibility study on the Öksüt project.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) political and regulatory risks, including the political risks associated with the Company's principal operations in the Kyrgyz Republic and Mongolia, resource nationalism, the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates, the impact of any actions taken by the Government and Parliament relating to the Kumtor Project Agreement, any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project, the impact of the failure of relevant Kyrgyz Government agencies to provide approvals of annual mine plans and other required permits and authorizations, the effect of the Water and Forest Law on the Company's operations in Mongolia, the impact of continued scrutiny from Mongolian regulatory authorities on the Company's Boroo project, the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations, the Company's ability to successfully negotiate an investment agreement for the Gatsuurt project to complete the development of the mine and the Company's ability to obtain all necessary permits and commissions needed to commence mining activity at the Gatsuurt project; the ability of the Company to obtain, in a timely manner, all required permits and other authorizations to carry out its feasibility and other studies at the Öksüt project and related drilling and operational activities; (B) risks related to operational matters and geotechnical issues, including the movement of the Davidov Glacier and the Davidov Waste-rock Dump (Central Valley Waste Dump), the waste and ice movement at the Kumtor Project and the Company's continued ability to successfully manage such matters, including by the building of a buttress at the bottom of the Davidov Glacier, the occurrence of further ground movements at the Kumtor Project, the timing of the infrastructure move potentially impacting the maintenance of the mobile fleet and its availability, the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities, the adequacy of the Company's insurance to mitigate operational risks, mechanical breakdowns, the Company's ability to obtain the necessary permits and authorizations to (among other things) raise the tailings dam at the Kumtor Project to the required height, the Company's ability to replace its mineral reserves, the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required, seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia, long lead times required for equipment and supplies given the remote location of the Company's properties, reliance on a limited number of suppliers for certain consumables, equipment and components, illegal mining on the Company's Mongolian properties, the Company's ability to accurately predict decommissioning and reclamation costs, the Company's ability to attract and retain qualified personnel, competition for mineral acquisition opportunities, and risks associated with the conduct of joint ventures; (C) risks relating to financial matters including the sensitivity of the Company's business to the volatility of gold prices, the imprecision of the Company's mineral reserves and resources estimates and the assumptions they rely on, the accuracy of the Company's production and cost estimates, the impact of restrictive covenants in the Company's revolving credit facility which may, among other things, restrict the Company from pursuing certain business activities, the Company's ability to obtain future financing, the impact of global financial conditions, the impact of currency fluctuations, the effect of market conditions on the Company's short-term investments, the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; and (D) risks related to environmental and safety matters, including the ability to continue obtaining necessary operating and environmental permits, licenses and approvals, the impact of the significant environmental claims made in December 2012 and February 2013 relating to the Kumtor Project, inherent risks associated with using sodium cyanide in the mining operations; legal and other factors such as litigation, defects in title in connection with the Company's properties, the Company's ability to enforce its legal rights, risks associated with having a significant shareholder, and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's 2013 Annual Information Form available on SEDAR at www.sedar.com.

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of July 29, 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.