Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended September 30, 2014
(Unaudited)

(Expressed in thousands of United States Dollars)

Centerra Gold Inc.
Condensed Consolidated Statements of Financial Position
(Unaudited)

(Expressed in Thousands of United States Dollars)	Notes		September 30, 2014		December 31, 2013
Assets					
Current assets					
Cash and cash equivalents		**$**	**168,715**	$	343,108
Short-term investments			**235,680**		158,358
Amounts receivable	**3**		**55,460**		78,707
Inventories	**4**		**273,199**		373,289
Prepaid expenses	**5**		**23,793**		29,191
			756,847		982,653
Property, plant and equipment	**6**		**701,514**		539,070
Goodwill			**129,705**		129,705
Restricted cash			**10,255**		10,731
Other assets			**25,300**		20,276
Long-term inventories	**4**		**891**		5,229
			867,665		705,011
Total assets		**$**	**1,624,512**	$	1,687,664
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**41,708**	$	32,109
Short-term debt	**7**		**76,000**		75,582
Revenue-based taxes payable			**11,633**		30,742
Taxes payable			**2,676**		2,108
Current portion of provision for reclamation			**2,506**		1,194
			134,523		141,735
Dividend payable	**11**		**10,090**		10,636
Provision for reclamation			**59,397**		58,826
Deferred income tax liability			**2,816**		2,157
			72,303		71,619
Total liabilities			**206,826**		213,354
Shareholders' equity	**9**				
Share capital			**660,536**		660,486
Contributed surplus			**21,957**		20,087
Retained earnings			**735,193**		793,737
			1,417,686		1,474,310
Total liabilities and shareholders' equity		**$**	**1,624,512**	$	1,687,664

Commitments and contingencies (note 10)
Subsequent event (note 14)
The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

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

(Unaudited)		Three months ended September 30,		Nine months ended September 30,	
		2014	**2013**	**2014**	**2013**
(Expressed in Thousands of United States Dollars) **(except per share amounts)**					
	Notes				
Revenue from gold sales		**$ 135,778**	$ 154,975	**$ 403,272**	$ 475,455
Cost of sales	**8**	**100,649**	111,681	**319,118**	287,456
Mine standby costs		**32**	-	**216**	-
Regional office administration		**5,783**	6,108	**17,578**	17,598
Earnings from mine operations		**29,314**	37,186	**66,360**	170,401
Revenue-based taxes		**16,375**	16,352	**48,777**	50,680
Other operating expenses		**3,034**	2,279	**7,973**	6,375
Exploration and business development		**5,023**	7,354	**11,629**	20,783
Corporate administration		**5,892**	8,590	**24,232**	22,536
(Loss) earnings from operations		**(1,010)**	2,611	**(26,251)**	70,027
Other (income) expenses		**(1,585)**	(1,072)	**(1,108)**	3,050
Finance costs		**1,181**	1,245	**3,817**	3,745
(Loss) earnings before income taxes		**(606)**	2,438	**(28,960)**	63,232
Income tax expense		**2,558**	4,219	**3,835**	12,109
Net (loss) earnings and comprehensive (loss) income		**$ (3,164)**	$ (1,781)	**$ (32,795)**	$ 51,123
Basic (loss) earnings per common share	**9**	**$ (0.01)**	$ (0.01)	**$ (0.14)**	$ 0.22
Diluted (loss) earnings per common share	**9**	**$ (0.02)**	$ (0.01)	**$ (0.14)**	$ 0.20

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Centerra Gold Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(Expressed in Thousands of United States Dollars)	**Notes**	**Three months ended September 30, 2014**	**Three months ended September 30, 2013**	**Nine months ended September 30, 2014**	**Nine months ended September 30, 2013**
Operating activities					
Net (loss) earnings		**$ (3,164)**	$ (1,781)	**$ (32,795)**	$ 51,123
Items not requiring (providing) cash:					
Depreciation, depletion and amortization	**6**	**44,575**	44,988	**172,289**	120,602
Finance costs		**1,181**	1,245	**3,817**	3,745
Loss on disposal of equipment		**-**	109	**542**	2,261
Compensation expense on stock options		**610**	679	**1,870**	2,242
Income tax expense		**2,558**	4,219	**3,835**	12,109
Other operating items		**150**	(386)	**(443)**	(557)
		45,910	49,073	**149,115**	191,525
Change in operating working capital		**(59,487)**	(55,354)	**(654)**	(61,849)
Change in long-term inventory		**1,349**	(980)	**4,338**	3,452
Change in provision		**-**	(78)	**-**	(227)
Prepaid revenue-based taxes utilized		**77**	77	**9,922**	3,922
Income taxes paid		**(1,825)**	(1,217)	**(3,337)**	(12,456)
Cash (used in) provided by operations		**(13,976)**	(8,479)	**159,384**	124,367
Investing activities					
Additions to property, plant and equipment	**13**	**(67,194)**	(62,807)	**(223,251)**	(222,726)
Net (purchase) redemption of short-term investments		**(56,188)**	(29,795)	**(77,322)**	10,192
Purchase of interest in Öksüt Gold Project- net of cash acquired		**-**	-	**-**	(19,742)
Decrease (increase) in restricted cash		**527**	(103)	**476**	(4,943)
Decrease (increase) in long-term other assets		**2,933**	1,664	**(5,024)**	1,330
Proceeds from disposition of equipment		**-**	154	**3**	181
Cash used in investing		**(119,922)**	(90,887)	**(305,118)**	(235,708)
Financing activities					
Dividends paid		**(8,703)**	(9,283)	**(25,749)**	(22,379)
Payment of interest and other borrowing costs		**(1,427)**	-	**(2,910)**	(1,408)
Cash used in financing		**(10,130)**	(9,283)	**(28,659)**	(23,787)
Decrease in cash during the period		**(144,028)**	(108,649)	**(174,393)**	(135,128)
Cash and cash equivalents at beginning of the period		**312,743**	307,636	**343,108**	334,115
Cash and cash equivalents at end of the period		**$ 168,715**	$ 198,987	**$ 168,715**	$ 198,987
Cash and cash equivalents consist of:					
Cash		**$ 76,434**	$ 70,501	**$ 76,434**	$ 70,501
Cash equivalents		**92,281**	128,486	**92,281**	128,486
		$ 168,715	$ 198,987	**$ 168,715**	$ 198,987

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Centerra Gold Inc.
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

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

	Number of Common Shares		Share Capital Amount		Contributed Surplus		Retained Earnings		Total
Balance at January 1, 2013	236,376,011	$	660,420	$	36,243	$	672,430	$	1,369,093
Compensation expense on stock options	-		-		2,242		-		2,242
Adjustment for acquisition of 30% non-controlling interest	-		-		(18,986)		-		(18,986)
Shares issued on redemption of restricted share units	11,849		49		-		-		49
Dividend declared	-		-		-		(27,389)		(27,389)
Net earnings for the period	-		-		-		51,123		51,123
Balance at September 30, 2013	236,387,860	$	660,469	$	19,499	$	696,164	$	1,376,132
Balance at January 1, 2014	**236,390,219**	**$**	**660,486**	**$**	**20,087**	**$**	**793,737**	**$**	**1,474,310**
Compensation expense on stock options	**-**		**-**		**1,870**		**-**		**1,870**
Shares issued on redemption of restricted share units	**10,035**		**50**		**-**		**-**		**50**
Dividend declared	**-**		**-**		**-**		**(25,749)**		**(25,749)**
Net loss for the period	**-**		**-**		**-**		**(32,795)**		**(32,795)**
Balance at September 30, 2014	**236,400,254**	$	**660,536**	$	**21,957**	$	**735,193**	$	**1,417,686**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

1. General business description

Centerra Gold Inc. ("Centerra" or the "Company") was incorporated under the Canada Business Corporations Act on November 7, 2002. Centerra's common shares are listed on the Toronto Stock Exchange. The Company is domiciled in Canada and the registered office is located at 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. The Company is engaged in the production of gold and related activities including exploration, development, mining and processing in the Kyrgyz Republic, Mongolia, Turkey, Russia and western Canada.

2. Basis of Preparation and Statement of Compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), using accounting policies consistent with those used in its consolidated financial statements as at and for the year ending December 31, 2013 and reflecting the new IFRS standards adopted as at January 1, 2014. These financial statements should be read in conjunction with the Company's December 31, 2013 annual consolidated financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on October 29, 2014.

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 effective date of January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 9 in its financial statements for the current period, but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments at the date of adoption.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

(Expressed in thousands of United States Dollars)

Adoption of New Accounting Standards and Developments

Effective January 1, 2014, the Company adopted 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 (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 an impact on the Company's consolidated financial statements.

3. Amounts receivable

(Thousands of U.S. Dollars)		**September 30, 2014**		**December 31, 2013**
Gold sales receivable from related party (note 11)	**$**	**51,230**	$	69,382
Gold sales receivable from third party		**-**		4,777
Other receivables		**4,230**		4,548
	$	**55,460**	$	78,707

4. Inventories

(Thousands of U.S. Dollars)		**September 30, 2014**		**December 31, 2013**
Stockpiles of ore	**$**	**57,469**	$	161,818
Gold in-circuit		**36,799**		27,212
Heap leach in circuit		**4,356**		12,860
Gold doré		**7,719**		2,699
		106,343		204,589
Supplies		**167,747**		173,929
Total Inventories (net of provisions)		**274,090**		378,518
Less: Long-term inventory (heap leach stockpiles)		**(891)**		(5,229)
Total Inventories-current portion	**$**	**273,199**	$	373,289

On June 30, 2014 stockpiled inventory at Kumtor was written down by $14.6 million to net realizable value due to an increase in costs and a lower gold price. During the third quarter of 2014, the cost of inventory in excess of what the Company believes can be realized after further processing and subsequent sale of the gold decreased from $14.6 million to $12.2 million as at September 30, 2014. The reduction of $2.4 million in the third quarter, was credited to cost of sales, as disclosed in note 8.

(Expressed in thousands of United States Dollars)

The provision for mine supplies obsolescence for the three and nine months ended September 30, 2014 was $0.3 million and $0.9 million respectively ($0.2 million and $0.6 million for the three and nine months ended September 30, 2013 respectively) which was charged to cost of sales, as disclosed in note 8.

The table below summarizes inventories adjusted for the provision for obsolescence:

(Thousands of U.S. Dollars)		**September 30, 2014**		**December 31, 2013**
Total inventories	**$**	**291,066**	$	382,404
Less: impairments of gold ore inventories		**(12,173)**		-
Less : Provisions for supplies obsolescence		**(4,803)**		(3,886)
Total Inventories (net of provisions)		**274,090**		378,518
Less: Long-term inventory (heap leach stockpiles)		**(891)**		(5,229)
Total Inventories-current portion	**$**	**273,199**	$	373,289

5. Prepaid expenses

(Thousands of U.S. Dollars)		**September 30, 2014**		**December 31, 2013**
Revenue-based taxes	$	**78**	$	10,000
Insurance		**7,055**		6,488
Rent		**336**		399
Deposits for consumables supplies		**13,782**		9,823
Other		**2,542**		2,481
	$	**23,793**	$	29,191

(Expressed in thousands of United States Dollars)

6. Property, plant and equipment

The following is a summary of the carrying value of property, plant and equipment:

(Thousands of U.S. Dollars)	Buildings, Plant and Equipment	Mobile Equipment	Mineral Properties	Capitalized Stripping Costs	Construction In Progress ("CIP")	Total
Cost						
Balance January 1, 2014	$ 392,437	$ 465,361	$ 196,939	$ 646,536	$ 51,879	$ 1,753,152
Additions	161	49	1,502	228,542	64,758	295,012
Disposals	(2,650)	(27,765)	-	-	-	(30,415)
Reclassification	14,999	30,478	325	-	(45,802)	-
Balance September 30, 2014	**$ 404,947**	**$ 468,123**	**$ 198,766**	**$ 875,078**	**$ 70,835**	**$ 2,017,749**
Accumulated depreciation						
Balance January 1, 2014	$ 247,110	$ 269,177	$ 147,648	$ 550,147	$ -	$ 1,214,082
Change for the period	11,388	78,152	5,569	36,915	-	132,024
Disposals	(2,535)	(27,336)	-	-	-	(29,871)
Balance September 30, 2014	**$ 255,963**	**$ 319,993**	**$ 153,217**	**$ 587,062**	**$ -**	**$ 1,316,235**
Net book Value						
Balance January 1, 2014	$ 145,327	$ 196,184	$ 49,291	$ 96,389	$ 51,879	$ 539,070
Balance September 30, 2014	**$ 148,984**	**$ 148,130**	**$ 45,549**	**$ 288,016**	**$ 70,835**	**$ 701,514**

The following is an analysis of the depreciation, depletion and amortization charge recorded in the Statements of Financial Position and Statements of (Loss) Earnings and Comprehensive (Loss) Income:

(Expressed in thousands of United States Dollars)

(Thousands of U.S. Dollars)	**Three months ended September 30, 2014**	**2013**	**Nine months ended September 30, 2014**	**2013**
Amount recorded in cost of sales	$ **48,480**	$ 44,905	$ **163,897**	$ 120,353
Amount recorded in corporate administration	**94**	83	**269**	249
Amount recorded in inventories impairment	**(3,999)**	-	**8,123**	-
Total included in Statements of (Loss) Earnings and Comprehensive (Loss) Income	**44,575**	44,988	**172,289**	120,602
Inventories movement	**8,120**	40,040	**(106,376)**	(10,466)
Amount capitalised in PP&E	**15,006**	15,946	**66,111**	57,646
Depreciation, depletion and amortization charge for the period	$ **67,701**	$ 100,974	$ **132,024**	$ 167,782

7. Short-term debt

The Company has a $150 million revolving credit facility ("the facility") with the European Bank for Reconstruction and Development ("EBRD") from which it has drawn $76 million and which is repayable on February 11, 2015.

The terms of the Facility require the Company to pledge certain mobile equipment at Kumtor as security and maintain compliance with specified covenants including financial covenants. The Company was in compliance with the covenants as at September 30, 2014.

The amount of the short-term debt is presented net of unamortized deferred financing fees as shown below:

(Thousands of U.S. Dollars)	**September 30, 2014**	**December 31, 2013**
Revolving credit facility	**$ 76,000**	$ 76,000
Unamortized deferred financing fee	**-**	(418)
Total	**$ 76,000**	$ 75,582

(Expressed in thousands of United States Dollars)

8. Cost of sales

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of U.S. Dollars)	**2014**	**2013**	**2014**	**2013**
Operating costs:				
Salaries and benefits	**$ 19,143**	$ 18,039	$ **57,515**	$ 57,187
Consumables	**43,393**	44,788	**77,506**	91,322
Third party services	**1,211**	2,012	**3,537**	4,485
Other operating costs	**3,832**	5,334	**12,465**	13,292
Royalties, levies and production taxes	**575**	3,435	**1,747**	7,769
Inventories obsolescence charges (note 4)	**335**	233	**920**	646
Changes in inventories	**(13,869)**	(7,065)	**(10,642)**	(10,796)
	54,620	66,776	**143,048**	163,905
Inventory impairment (recovery) (note 4)	**(2,451)**	-	**12,173**	3,198
Depreciation, depletion and amortization	**48,480**	44,905	**163,897**	120,353
	$ 100,649	$ 111,681	$ **319,118**	$ 287,456

(Expressed in thousands of United States Dollars)

9. Shareholders' Equity

a. Share Capital

Centerra is authorized to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value.

b. Earnings per Share

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of U.S. Dollars)	**2014**	**2013**	**2014**	**2013**
Net (loss) earnings	**$ (3,164)**	$ (1,781)	**$ (32,795)**	$ 51,123
Adjustment				
Restricted share units	**(70)**	-	-	-
Performance share units	**(2,033)**	(567)	-	(3,123)
Net (loss) earnings for the purposes of diluted (loss) earnings per share	**$ (5,267)**	$ (2,348)	**$ (32,795)**	$ 48,000

Basic and diluted (loss) earnings per share computation:

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of common shares)	**2014**	**2013**	**2014**	**2013**
Weighted average number of common shares outstanding	**236,398**	236,385	**236,394**	236,380
Effect of potential dilutive securities:				
Stock options	**-**	-	**-**	42
Restricted share units	**275**	-	**-**	210
Diluted weighted average number of common shares outstanding	**236,673**	236,385	**236,394**	236,632
Basic (loss) earnings per common share	**$ (0.01)**	$ (0.01)	**$ (0.14)**	$ 0.22
Diluted (loss) earnings per common share	**$ (0.02)**	$ (0.01)	**$ (0.14)**	$ 0.20

Potentially dilutive securities, including stock options and restricted share units summarized below were excluded in the calculation of the diluted (loss) earnings per share:

(Expressed in thousands of United States Dollars)

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of units)	**2014**	**2013**	**2014**	**2013**
Stock options	**3,956**	2,341	**3,616**	2,124
Restricted share units	**-**	210	**266**	-
	3,956	2,551	**3,882**	2,124

c. Dividends

Dividends are declared in Canadian dollars and paid in Canadian dollars. At September 30, 2014, accrued dividends payable to Kyrgyzaltyn of $10.1 million, which are held in trust in relation to the court proceedings commenced by Stan Energy Corp., were payable (December 31, 2013 $10.6 million were held in trust in relation to court proceedings by Sistem Muhenkislik Insaat Sanayi Ticaret SA).

The details of dividends declared in the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Dividends declared (Thousands of U.S Dollars)	**$ 8,703**	$ 9,010	**$ 25,749**	$ 27,389
Dividends declared (Canadian Dollar per share)	**$ 0.04**	$ 0.04	**$ 0.12**	$ 0.12

d. Share-Based Compensation

During the nine months ended September 30, 2014, the Company implemented changes to the annual performance share unit plan for eligible employees at its mine sites. The new plan, which includes the same terms as the corporate performance share units, provides for eligible employees to be granted performance share units which now vest 50% at the end of the year after the year of grant and the remaining 50% the following year. The number of units which will vest is determined based on Centerra's share performance total return (for the sixty-one trading days volume weighted average share price, preceding the start and end of each performance period) relative to the S&P/TSX Global Gold Index Total Return Index Value during the same period. The number of units that vest is determined by multiplying the number of units granted to the participant by an adjustment factor, which ranges from 0 to 2.0. Therefore, the number of units that will vest and are paid out may be higher or lower than the number of units originally granted to a participant. The performance share units can be settled in cash or shares purchased in the open market at the option of the Company.

If the Company paid a dividend during the fiscal year, each employee will be allocated additional performance share units equal in value to the dividend paid on the number of common shares proportional to the number of performance share units held by the employee, based on the sixty-one trading days volume weighted average share price on the date of the dividend.

In transitioning to the new plan, a special transition series of performance share units were issued to eligible employees at the Company's mine sites on January 2, 2014, with 50% vesting at the end of 2014 and 50% at the end of 2015.

10. Commitments and Contingencies

Commitments

As at September 30, 2014, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $44.0 million (Kumtor - $43.8 million and Boroo - $0.2 million) which are expected to be settled over the next twelve months.

Contingencies

Various legal and tax matters are outstanding from time to time due to the nature of the Company's operations. While the final outcome with respect to actions outstanding or pending at September 30, 2014 cannot be predicted with certainty, based on the current status it is management's opinion that, except as noted below, their resolution will not have a material adverse effect on the Company's financial statements.

Kyrgyz Republic

(i) Negotiations between Kyrgyz Republic and Centerra

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

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.

(ii) Environmental Claims

Kumtor has received very substantial claims from various Kyrgyz Republic state agencies in relation to alleged environmental offences and other matters. In aggregate, these claims amount to over $450 million at then current exchange rates.

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.

(iii)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.

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.

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 an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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. 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 earlier in 2014, 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 fourth quarter 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 are currently unclear and will be determined through 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 $37.5 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 September 30, 2014 associated with its investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

Corporate

Enforcement Notice by Stans

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

Centerra was also served by Stans with a notice of application to the Ontario Superior Court of Justice (the "Stans Application") which seeks to enforce a June 30, 2014 arbitral award (the "Stans Arbitration Award") obtained by Stans against the Kyrgyz Republic from the arbitration tribunal of the Moscow Chamber of Commerce in the amount of approximately $118 million. The Stans Application seeks, among other things, an order declaring that the Kyrgyz Republic has a beneficial interest in all of the shares in Centerra held by Kyrgyzaltyn and that monies, interest, dividends and other rights of Kyrgyzaltyn in the stock of Centerra may be seized in order to satisfy the Stans Arbitration Award. The Company understands that the Kyrgyz Republic is appealing the Stans Arbitration Award to Russian courts in Moscow.

In a separate proceeding Kyrgyzaltyn has appealed to the Ontario Court of Appeal the decision of the Ontario Superior Court of Justice in the Sistem Muhenkislik Insaat Sanayi Tiacaret SA matter, which found that the Kyrgyz Republic had a beneficial interest in the Centerra shares held by Kyrgyzaltyn.

(Expressed in thousands of United States Dollars)

11. Related Party Transactions

Kyrgyzaltyn JSC

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

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

The breakdown of the sales transactions and expenses with Kyrgyzaltyn are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of U.S. Dollars)	**2014**	**2013**	**2014**	**2013**
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$ 117,524**	$ 117,310	**$ 350,013**	$ 363,459
Deduct: refinery and financing charges	**(559)**	(513)	**(1,605)**	(1,460)
Net sales revenue received from Kyrgyzaltyn	**$ 116,965**	$ 116,797	**$ 348,408**	$ 361,999
Included in expenses:				
Contracting services provided by Kyrgyzaltyn	**$ 684**	$ 625	**$ 1,176**	$ 1,377
Management fees to Kyrgyzaltyn	**92**	87	**272**	249
Expenses paid to Kyrgyzaltyn	**$ 776**	$ 712	**$ 1,448**	$ 1,626

Dividend

	Three Months Ended September 30,		Nine months ended September 30,	
(Thousands of U.S. Dollars)	**2014**	**2013**	**2014**	**2013**
Dividends declared to Kyrgyzaltyn	**$ 2,851**	$ 2,946	**$ 8,427**	$ 8,983
Withholding taxes	**(144)**	(147)	**(425)**	(449)
Net dividends declared to Kyrgyzaltyn	**2,707**	2,799	**8,002**	8,534
Net dividends transferred to restricted cash	**-**	-	**-**	(5,735)
Net dividends paid to Kyrgyzaltyn	**$ 2,707**	$ 2,799	**$ 8,002**	$ 2,799

(Expressed in thousands of United States Dollars)

Related party balances

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

(Thousands of U.S. Dollars)	**September 30, 2014**	December 31, 2013
Amounts receivable	**$ 51,230**	$ 69,382
Total related party assets	**$ 51,230**	$ 69,382
Dividend payable (net of withholding taxes)	**$ 10,636**	$ 11,233
Net unrealized foreign exchange gain	**(546)**	(597)
	10,090	10,636
Amount payable	**42**	157
Total related party liabilities	**$ 10,132**	$ 10,793

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

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

As at September 30, 2014, $51.2 million was outstanding under the Sales Agreement (December 31, 2013 - $69.4 million). Subsequent to September 30, 2014, the balance receivable from Kyrgyzaltyn was paid in full.

(Expressed in thousands of United States Dollars)

12. Fair value measurements

All financial instruments measured at fair value are categorized into one of three hierarchy levels which the financial instruments must be grouped based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs comprise market data obtained from independent sources, while unobservable inputs comprise the Company's assumptions. Using these two types of inputs, the Company created the following fair value hierarchy:

Level 1: observable inputs such as quoted prices in active markets;

Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

Level 3: unobservable inputs for the asset or liability in which little or no market data exists and therefore require an entity to develop its own assumptions as to fair value measurement.

The following table summarizes the fair value measurement by level at September 30, 2014 and December 31, 2013 for assets and liabilities measured at fair value on a recurring basis:

		September 30, 2014		December 31, 2013
(Thousands of U.S. Dollars)		**Level 1**		**Level 1**
Financial Assets				
Cash and cash equivalents	$	**168,715**	$	343,108
Restricted cash		**10,255**		10,731
Short-term investments		**235,680**		158,358
Reclamation trust fund		**15,938**		13,523
	$	**430,588**	$	525,720

The company does not have any assets and liabilities that can be categorized as level 2 or level 3.

(Expressed in thousands of United States Dollars)

13. Supplemental cash flow disclosure

Investment in property, plant and equipment (PP&E)

		Three months ended September 30,		Nine months ended September 30,	
(Thousands of U.S. Dollars)		**2014**	**2013**	**2014**	**2013**
Additions to PP&E during the period	$	**(83,075)**$	(80,558)$	**(295,012)**$	(289,912)
Impact of revisions to asset retirement obligation included in PP&E		**-**	-	**1,502**	-
Net Capital expenditure for the period		**(83,075)**	(80,558)	**(293,510)**	(289,912)
Depreciation and amortization included in additions to PP&E		**15,006**	15,946	**66,111**	57,646
Reduction (increase) in accruals included in additions to PP&E		**875**	1,805	**4,148**	9,540
Cash investment in PP&E	$	**(67,194)**$	(62,807)$	**(223,251)**$	(222,726)

14. Subsequent event

On October 29, 2014, the Company’s Board of Directors approved a quarterly dividend of Cdn $0.04 per common share. The dividend is payable on November 27, 2014 to shareholders of record on November 13, 2014.

15. Segmented Information

The following table reconciles segmented operating profit per the reportable segment information on the Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Income.

(Expressed in thousands of United States Dollars)

Three months ended September 30, 2014

(Millions of U.S. Dollars)		Kyrgyz Republic		Mongolia		Corporate and other		Total
Revenue from Gold Sales	$	**117.0**	$	**18.8**	$	**-**	$	**135.8**
Cost of sales		**84.9**		**15.8**		**-**		**100.7**
Regional office administration		**4.7**		**1.1**		**-**		**5.8**
Earnings from mine operations		**27.4**		**1.9**		**-**		**29.3**
Revenue based taxes		**16.4**		**-**		**-**		**16.4**
Other operating expenses		**1.3**		**0.2**		**1.5**		**3.0**
Exploration and business development		**0.1**		**1.1**		**3.8**		**5.0**
Corporate administration		**0.1**		**0.2**		**5.6**		**5.9**
(Loss) Earnings from operations	**$**	**9.5**	**$**	**0.4**	**$**	**(10.9)**		**(1.0)**
Other income								**(1.6)**
Finance costs								**1.2**
Loss before income taxes								**(0.6)**
Income tax expense								**2.6**
Net loss and comprehensive loss							**$**	**(3.2)**
Capital expenditure for the period (note 13)	**$**	**82.9**	**$**	**0.1**	**$**	**0.1**	**$**	**83.1**

Three months ended September 30, 2013

(Millions of U.S. Dollars)		Kyrgyz Republic		Mongolia		Corporate and other		Total
Revenue from Gold Sales	$	116.8	$	38.2	$	-	$	155.0
Cost of sales		86.0		25.7		-		111.7
Regional office administration		4.8		1.3		-		6.1
Earnings from mine operations		26.0		11.2		-		37.2
Revenue based taxes		16.4		-		-		16.4
Other operating expenses		2.4		(0.1)		-		2.3
Exploration and business development		0.9		1.9		4.5		7.3
Corporate administration		0.2		0.1		8.3		8.6
Earnings (loss) from operations	**$**	6.1	$	9.3	$	(12.8)		2.6
Other income								(1.0)
Finance costs								1.2
Earnings before income taxes								2.4
Income tax expense								4.2
Net loss and comprehensive loss							$	(1.8)
Capital expenditure for the period (note 13)	$	77.7	$	2.9	$	-	$	80.6

(Expressed in thousands of United States Dollars)

Nine months ended September 30, 2014

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ 348.4	$ 54.9	$ -	$ 403.3
Cost of sales	272.9	46.2	-	319.1
Mine standby costs	-	0.2	-	0.2
Regional office administration	14.1	3.5	-	17.6
Earnings from mine operations	61.4	5.0	-	66.4
Revenue-based taxes	48.8	-	-	48.8
Other operating expenses	4.0	0.4	3.6	8.0
Exploration and business development	0.3	3.2	8.2	11.7
Corporate administration	0.4	0.4	23.4	24.2
(Loss) Earnings from operations	$ 7.9	$ 1.0	$ (35.2)	(26.3)
Other income				(1.1)
Finance costs				3.8
Loss before income taxes				(29.0)
Income tax expense				3.8
Net loss and comprehensive loss				$ (32.8)
Capital expenditure for the period (note 13)	$ 292.4	$ 0.9	$ 0.2	$ 293.5
Goodwill	$ 129.7	$ -	$ -	$ 129.7
Assets (excluding Goodwill)	$ 971.5	$ 175.8	$ 347.5	$ 1,494.8
Total liabilities	$ 78.8	$ 31.0	$ 97.0	$ 206.8

Nine months ended September 30, 2013

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ 362.0	$ 113.5	$ -	$ 475.5
Cost of sales	218.0	69.5	-	287.5
Regional office administration	13.3	4.3	-	17.6
Earnings from mine operations	130.7	39.7	-	170.4
Revenue-based taxes	50.7	-	-	50.7
Other operating expenses	5.8	0.6	-	6.4
Exploration and business development	5.3	3.6	11.9	20.8
Corporate administration	0.4	0.2	21.9	22.5
Earnings (loss) from operations	$ 68.5	$ 35.3	$ (33.8)	70.0
Other expenses				3.1
Finance costs				3.7
Earnings before income taxes				63.2
Income tax expense				12.1
Net earnings and comprehensive income				$ 51.1
Capital expenditure for the period (note 13)	$ 281.3	$ 8.1	$ 0.5	$ 289.9
Goodwill	$ 129.7	$ -	$ -	$ 129.7
Assets (excluding Goodwill)	$ 1,055.2	$ 202.4	$ 184.4	$ 1,442.0
Total liabilities	$ 66.4	$ 34.2	$ 94.9	$ 195.5