Centerra Gold Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

(Expressed in thousands of United States Dollars)

Report of Management's Accountability

The Consolidated Financial Statements have been prepared by the management of the Company. Management is responsible for the integrity, consistency and reliability of all such information presented. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The preparation of the Consolidated Financial Statements involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Company as described in Note 3 to the Consolidated Financial Statements. The preparation of the Consolidated Financial Statements includes information regarding the estimated impact of future events and transactions. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected.

In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal controls and checks to see if the controls are operating as designed. The system of internal controls includes a written corporate conduct policy; implementation of a risk management framework; effective segregation of duties and delegation of authorities; and sound and conservative accounting policies that are regularly reviewed. This structure is designed to provide reasonable assurance that assets are safeguarded and that reliable information is available on a timely basis. In addition internal and disclosure controls have been documented, evaluated, tested and identified consistent with National Instrument 52-109.

The Consolidated Financial Statements have been audited by KPMG LLP, independent external auditors appointed by the Company's shareholders. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. KPMG LLP's report, which appears on page ii, outlines the scope of their examination and their opinion.

The Company's Directors, through its Audit Committee, are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee met periodically with management, the internal auditors, and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting.

The Company's President and Chief Executive Officer and the Company's Vice President and Chief Financial Officer have evaluated the design and operating effectiveness of related disclosure controls and procedures and internal controls over financial reporting pursuant to National Instrument 52-109.

Original signed by:
Ian Atkinson
President and Chief Executive Officer

Original signed by:
Jeffrey S. Parr
Vice President and Chief Financial Officer

February 19, 2014

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Centerra Gold Inc.

We have audited the accompanying consolidated financial statements of Centerra Gold Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of earnings (loss) and comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 2013 and December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Centerra Gold Inc. as at December 31, 2013 and December 31, 2012 and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Original Signed by:

KPMG LLP
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 19, 2014

Centerra Gold Inc.
Consolidated Statements of Financial Position

(Expressed in Thousands of United States Dollars)	Notes	December 31, 2013	December 31, 2012 (Restated) (Note 5)
Assets			
Current assets			
Cash and cash equivalents		$ 343,108	$ 334,115
Short-term investments		158,358	47,984
Amounts receivable	8	78,707	75,338
Inventories	9	373,289	292,565
Prepaid expenses	10	29,191	49,317
		982,653	799,319
Property, plant and equipment	11	539,070	625,923
Goodwill	12	129,705	129,705
Restricted cash	7	10,731	6,087
Other assets	13	20,276	23,270
Long-term inventories	9	5,229	10,094
		705,011	795,079
Total assets		$ 1,687,664	$ 1,594,398
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	14	$ 32,109	$ 63,940
Short-term debt	15	75,582	74,617
Revenue-based taxes payable	16(a)	30,742	18,643
Taxes payable	16(d)	2,108	5,180
Current portion of provision	17	1,194	5,257
		141,735	167,637
Dividend payable	28	10,636	5,949
Provisions	17	58,826	49,911
Deferred income tax liability (net)	16(c)	2,157	1,808
		71,619	57,668
Shareholders' equity	26		
Share capital		660,486	660,420
Contributed surplus		20,087	36,243
Retained earnings		793,737	672,430
		1,474,310	1,369,093
Total liabilities and shareholders' equity		$ 1,687,664	$ 1,594,398

Commitments and contingencies (note 27)
The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board of Directors

Original signed by:

Stephen Lang
Director

Richard Connor
Director

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

For the years ended December 31,	Notes		2013		2012
(Expressed in Thousands of United States Dollars)					(Restated)
(except per share amounts)					(Note 5)
Revenue from Gold Sales		**$**	**944,373**	$	660,737
Cost of sales	**18**		**559,236**		383,316
Abnormal mining costs	**19**		**-**		24,769
Mine standby costs	**20**		**-**		4,585
Regional office administration			**23,746**		21,041
Earnings from mine operations			**361,391**		227,026
Revenue based taxes	**16(a)**		**113,532**		74,697
Other operating expenses	**21**		**8,259**		34,280
Loss on de-recognition of underground assets	**11**		**-**		180,673
Exploration and business development	**22**		**29,572**		38,531
Corporate administration	**23**		**30,642**		27,046
Earnings (loss) from operations			**179,386**		(128,201)
Other (income) expenses, net	**24**		**3,568**		(132)
Finance costs	**25**		**4,989**		3,978
Earnings (loss) before income tax			**170,829**		(132,047)
Income tax expense	**16(b)**		**13,153**		11,684
Net earnings (loss) and comprehensive income (loss)		**$**	**157,676**	$	(143,731)
Basic and diluted earnings (loss) per common share	**26**				
Basic		**$**	**0.67**	$	(0.61)
Diluted		**$**	**0.64**	$	(0.61)

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

Centerra Gold Inc.
Consolidated Statements of Cash Flows

For the years ended December 31,		**2013**	**2012**
(Expressed in Thousands of United States Dollars)	**Notes**		(Restated) (Note 5)
Operating activities			
Net earnings(loss)		**$ 157,676**	$ (143,731)
Items not requiring (providing) cash:			
Depreciation, depletion and amortization	**11**	**309,389**	152,737
Finance costs		**4,989**	3,978
Loss on disposal of equipment		**2,818**	1,403
Compensation expense on stock options	**26(d)**	**2,830**	2,335
De-recognition of underground assets	**11**	**-**	180,673
Change in other provision	**17**	**(613)**	614
Income tax expense		**13,153**	11,684
Other operating items		**15**	(673)
		490,257	209,020
Change in operating working capital	**32(a)**	**(15,463)**	129
Change in long-term inventory		**4,865**	2,080
Revenue-based taxes applied (advanced)	**16(a)**	**20,000**	(30,000)
Income taxes paid		**(15,746)**	(7,838)
Cash provided by operations		**483,913**	173,391
Investing activities			
Additions to property, plant and equipment	**32(b)**	**(308,682)**	(405,094)
Net (purchase) redemption of short-term investments		**(110,374)**	324,683
Purchase of interest in Öksüt Gold Project-net of cash acquired		**(19,742)**	-
Increase in restricted cash		**(4,644)**	(5,908)
Decrease (increase) in other assets		**2,222**	(1,070)
Proceeds from disposition of fixed assets		**205**	79
Cash used in investing		**(441,015)**	(87,310)
Financing activities			
Dividends paid		**(31,085)**	(22,238)
Payment of borrowing costs		**(2,820)**	(1,416)
Proceeds from short-term debt		**-**	76,000
Proceeds from common shares issued for cash		**-**	149
Cash provided by (used in) financing		**(33,905)**	52,495
Increase in cash during the year		**8,993**	138,576
Cash and cash equivalents at beginning of the year		**334,115**	195,539
Cash and cash equivalents at end of the year		**$ 343,108**	$ 334,115
Cash and cash equivalents consist of:			
Cash		**$ 57,087**	$ 51,675
Cash equivalents		**286,021**	282,440
		$ 343,108	$ 334,115

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

Centerra Gold Inc.
Consolidated Statements of Shareholders' Equity

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

	Number of Common Shares		Share Capital Amount		Contributed Surplus		Retained Earnings		Total
Balance at January 1, 2012 (restated-note 5)	236,339,041	$	660,117	$	33,994	$	844,348	$	1,538,459
Share-based compensation expense	-		-		2,335		-		2,335
Shares issued on exercise of stock options	30,752		235		(86)		-		149
Shares issued on redemption of restricted share units	6,218		68		-		-		68
Dividend declared	-		-		-		(28,187)		(28,187)
Net loss for the period	-		-		-		(143,731)		(143,731)
Balance at December 31, 2012 (restated-note 5)	236,376,011	$	660,420	$	36,243	$	672,430	$	1,369,093
Share-based compensation expense	-		-		2,830		-		2,830
Adjustment for acquisition of 30% non-controlling interest (note 6)	-		-		(18,986)		-		(18,986)
Shares issued on redemption of restricted share units	14,208		66		-		-		66
Dividend declared	-		-		-		(36,369)		(36,369)
Net earnings for the period	-		-		-		157,676		157,676
Balance at December 31, 2013	**236,390,219**	$	**660,486**	$	**20,087**	$	**793,737**	$	**1,474,310**

The accompanying notes form an integral part of these consolidated 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, China and the Russian Federation.

2. Basis of Preparation and Statement of Compliance

a. Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of the Company on February 19, 2014.

b. Basis of measurement

These financial statements were prepared under the historical cost basis, except for liabilities for cash settled share-based compensation which are measured at fair value and inventories which are measured at the lower of cost or net realizable value.

These financial statements are presented in U.S. dollars with all amounts rounded to the nearest thousand, except for share and per share data, or as otherwise noted.

3. Summary of Significant Accounting Policies

The significant accounting policies summarized below have been applied consistently to all periods presented in these consolidated financial statements.

a. Consolidation principles

These consolidated financial statements include the accounts of Centerra and its subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

Inter-company transactions between subsidiaries are eliminated on consolidation.

The Company's significant subsidiaries include its wholly-owned Kumtor Gold Company ("KGC" operating as "Kumtor"), Boroo Gold LLC ("BGC" operating as "Boroo"), Centerra Gold Mongolia LLC ("CGM") (owner of the Gatsuurt property and ATO property) and Öksüt Madencilik Sanayi ve Ticaret A.S. ("Öksüt").

b. Foreign currency

The functional currency of the Company and each of its subsidiaries is the U.S. dollar, which is also the presentation currency of the consolidated financial statements.

Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statements of Earnings (Loss) and Comprehensive Income (Loss). Non-monetary assets and liabilities, arising from transactions denominated in foreign currencies, are translated at the historical exchange rates prevailing at each transaction date.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term investments with original maturities of 90 days or less. Cash and cash equivalents are classified as financial instruments carried at fair value through profit or loss.

d. Restricted Cash

Cash which is subject to legal or contractual restrictions on its use is classified separately as restricted cash.

e. Short-term investments

Short-term investments consist of marketable securities with original maturities of more than 90 days, but no longer than 12 months, from the date of purchase. Short-term investments consist mostly of U.S. federal and Canadian federal and provincial government treasury bills and notes, agency notes, foreign sovereign issues, term deposits, bankers' acceptances, bearer deposit notes, and highly-rated, highly-liquid corporate direct credit. Short-term investments are classified as financial instruments carried at fair value through profit or loss.

f. Inventories

Inventories of stockpiled ore, heap leach ore, in-circuit gold, heap leach gold in-circuit and gold doré are valued at the lower of average production cost and net realizable value, based on contained ounces of gold. The production cost of inventories is determined on a weighted-average basis and includes direct materials, direct labour, mine-site overhead expenses and depreciation, depletion and amortization of mining assets.

Stockpiled and heap leach ore are ore that has been extracted from the mine and is available for further processing. Costs are added to the cost of stockpiles based on the current mining cost per ounce mined and removed at the average cost per ounce of the stockpiled ore. Costs are added to the costs of ore on the heap leach pads based on average cost per ounce of stockpiled ore plus additional costs incurred to place ore on the heap leach pad. Costs of ore on the heap leach pads are transferred to in-circuit inventories as ounces are recovered based on the average cost per recoverable ounce of gold on the leach pad. Ore in stockpiles and heap leach ore not expected to be processed in the next twelve months is classified as long-term.

In-circuit inventories represent materials that are in the process of being converted to gold doré. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write downs to net realizable value ("NRV") are accounted for on a prospective basis.

When inventories are sold, the carrying amount is recognized as an expense in the period in which the related revenue is recognized. Any write-down of inventories to NRV or reversals of previous write-downs are recognized in income in the period that the write-down or reversal occurs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to sell.

Consumable supplies and spare parts are valued at the lower of weighted-average cost and NRV, which is the approximate replacement cost. Replacement cost includes expenditures incurred to acquire the inventories and bring them to their existing location and condition. Any provision for obsolescence is determined by reference to specific stock items identified as obsolete. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

g. Property, plant and equipment

i. General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges. Where an item of property, plant and equipment comprises major components with different useful lives, the components are depreciated separately but are grouped for disclosure purposes as property, plant and equipment.

Major overhaul expenditures and the cost of replacement of a component of plant and mobile equipment are capitalized and amortized over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of mobile equipment are charged to the cost of production if it is not probable that future economic benefits generated by the item overhauled will flow to the Company.

Directly attributable costs, including capitalized borrowing costs, incurred for major capital projects and site preparation are capitalized until the asset is in a location and condition necessary for operation as intended by management. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Management annually reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment and also when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

All direct costs related to the acquisition of mineral property interests are capitalized at the date of acquisition.

An item of property, plant and equipment is de-recognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between any proceeds received and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognized.

ii. Exploration, evaluation and pre-development expenditure

All exploration and evaluation expenditures of the Company within an area of interest are expensed until management concludes that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable. In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource is considered. Once a project has been established as commercially viable and technically feasible, further expenditures are capitalized as pre-development costs.

Exploration and evaluation assets acquired are initially recognized at fair value as exploration rights within tangible assets.

Pre-development assets are tested for impairment when there is an indicator of impairment.

iii. Development properties (underground and open pit)

A property, either open pit or underground, is classified as a development property when a mine plan has been prepared and a decision is made to commercially develop the property. Development expenditure is accumulated separately for each area of interest for which economically recoverable mineral reserves and resources have been identified.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is capitalized. In addition, capitalized costs are assessed for impairment when there is an indicator of impairment.

Development properties are not amortized until they are reclassified as mine property assets following the achievement of commercial levels of production.

iv. Mine properties

After a mine property has been brought into commercial production, costs of any additional mining, in-pit drilling and related work on that property are expensed as incurred. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production, including the stripping of waste material, are deferred and then amortized on a unit-of-production basis.

v. Deferred Stripping costs

Stripping costs incurred in the production phase of a mining operation are accounted for as production costs and are included in the costs of inventory produced. Stripping activity that improves access to ore in future period is accounted for as an addition to or enhancement of an existing asset. The Company recognizes stripping activity assets when the following three criteria are met:

i. it is probable that the future economic benefit associated with the stripping activity will flow to the Company;
ii. the Company can identify the component of the ore body for which access has been improved; and
iii. the costs relating to the stripping activity associated with that component can be measured reliably by the Company.

Stripping activity assets are amortized on a unit of production basis in subsequent periods over the proven and probable reserves to which they relate.

vi. Depreciation and depletion

Buildings, plant and equipment used in production and mineral properties are depreciated or depleted using the unit-of-production method over proven and probable ore reserves, or if their estimated useful lives are shorter, on a straight-line basis over the useful lives of the particular assets. Under this process, depreciation commences when the ore is extracted from the ground. The depreciation charge is allocated to inventory throughout the production process from the point at which ore is extracted from the pit until the ore is processed into its final form, gold doré. Where a change in estimated recoverable gold ounces contained in proven and probable ore reserves is made, adjustments to depreciation are accounted for prospectively.

Mobile equipment and other assets, such as offsite roads, buildings, office furniture and equipment are depreciated using the straight-line method based on estimated useful lives which range from two years to seven years, but do not exceed the related estimated mine life based on proven and probable ore reserves.

h. Goodwill

Goodwill represents the difference between the sum of the cost of a business acquisition and the fair value of the identifiable net assets acquired. Subsequently, goodwill is measured at cost less accumulated impairment losses and is not amortized. For non-wholly-owned subsidiaries, the Company has a choice for each business acquisition to record non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the recognized amounts of the identifiable net assets recognized at acquisition.

Goodwill, upon acquisition, is allocated to the cash-generating units ("CGU") expected to benefit from the related business combination. A CGU, in accordance with IAS 36, *Impairment of Assets*, is identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets.

The Company evaluates, on at least an annual basis, the carrying amount of a CGU to which goodwill is allocated, for potential impairment.

i. Impairment

Long term assets, including goodwill, are reviewed for impairment if there is any indication that the carrying amount may be impaired. Impairment is assessed for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or groups of assets, in which case, the individual assets are grouped together into CGUs for impairment testing purposes.

To accomplish this impairment testing, the Company compares the recoverable amount (which is the greater of value-in-use and fair value less costs of disposal ("FVLCD")) of the CGU to its carrying amount. If the carrying amount of a CGU exceeds its recoverable amount, the Company first applies the difference to reduce goodwill and then any further excess is applied to the CGU's other long-lived assets. Assumptions, such as gold price, discount rate, and expenditures underlying the estimate of recoverable value are subject to risks and uncertainties.

The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction which the Company typically estimates using discounted cash flow techniques.

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans.

Expected future cash flows reflect long term mine plans, which are based on detailed research, analysis and iterative modeling to optimize the level of return from investment, output and sequence of extraction.

The mine plan takes account of all relevant characteristics of the ore body, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and for forecasting production costs.

The Company's cash flow forecasts are based on estimates of future commodity prices which are derived from the general consensus gathered from third-party financial analysts' expectations. These assessments can differ from current price levels and are updated periodically.

The discount rates applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The Company's weighted-average cost of capital is used as a starting point for determining the discount rates, with appropriate adjustments for the risk profile of the countries in which the individual CGUs operate.

For value-in-use, recent cost levels are considered together with expected changes in costs that are compatible with the current condition of the business. The cash flow forecasts are based on best estimates of expected future revenues and costs, including the future cash costs of production, sustaining capital expenditure, closure, restoration and environmental clean-up.

An impairment loss is recognized for any excess of carrying amount over the recoverable amount.

j. Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k. Provisions

Provisions are recorded when a legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the amount required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of cash flows estimated to settle the present obligation.

l. Asset retirement and reclamation obligations

Asset retirement and reclamation costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated asset retirement and reclamation costs are provided in the accounting period when the obligation arising from the related disturbance occurs based on the net present value of estimated future costs.

Provision for asset retirement and reclamation costs recognized is estimated based on the risk-adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the time period of expected cash flows.

When the liability is initially recorded, a corresponding asset is recognized. At each reporting date the restoration and rehabilitation provisions are re-measured in line with changes in discount rates and timing or amounts of the costs to be incurred.

Changes in the liability relating to asset retirement and reclamation obligations, which are not the result of current production of inventory, are added to or deducted from the related asset. The accretion of the discount is recognized as a finance cost in the Statements of Earnings (Loss) and Comprehensive Income (Loss).

m. Earnings per share

Basic net earnings (loss) per share is computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding during the year.

Diluted net earnings (loss) per share is computed by dividing the net earnings (loss) applicable to common shares, after adjusting for the effect of performance share units as though they were accounted for as an equity instrument, by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as stock options and restricted share units. Diluted net earnings (loss) per share is calculated using the treasury method, where the exercise of stock options and restricted share units are assumed to be at the beginning of the period, and the proceeds from the exercise of stock options and restricted share units and the amount of compensation expense measured but not yet recognized in income are assumed to be used to purchase common shares of the Company at the average market price during the period. The incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted earnings (loss) per share computation.

In periods where the Company incurs a loss, all potentially dilutive instruments are excluded, as the inclusion of any potentially dilutive instruments would be anti-dilutive.

n. Revenue recognition

Revenue associated with the sale of gold is recognized when all significant risks and rewards of ownership are transferred to the customer and the amount of revenue can be measured reliably. Usually the transfer of risks and rewards associated with ownership occurs when the customer has taken delivery and the consideration is received, or to be received.

o. Share-based compensation

The Company has five share-based compensation plans: the Stock Option Plan, Performance Share Unit Plan, Annual Performance Share Unit Plan, Deferred Share Unit Plan, and Restricted Share Unit Plan, which are all described in note 26.

Stock Option Plan

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to common shares.

Performance Share Unit Plan and *Annual Performance Share Unit Plan*

Under these two plans, performance share units granted by Centerra to eligible employees that are intended to be settled in cash are accounted for under the liability method using the Monte Carlo simulated option pricing model. Under this method, a portion of the fair value of the performance share units is recognized at each reporting period based on the pro-rated number of days the eligible employees are employed by the Company compared to the vesting period of each series granted. The cash paid to employees on exercise of these performance share units is recorded as a reduction of the accrued obligation.

Deferred Share Unit Plan

Deferred share units granted to eligible members of the Board of Directors are settled in cash and are accounted for under the liability method. The deferred share units vest immediately upon granting. A liability is recorded at grant date equal to the fair value of the deferred share units. The liability is adjusted to fair value at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery. The cash paid to eligible members of the Board of Directors on exercise of these deferred share units is recorded as a reduction of the accrued obligation.

Restricted Share Unit Plan

Restricted share units ("RSU") granted to eligible members of the Board of Directors and designated officers and employees of Centerra can be settled in cash or equity at the option of the holder. The restricted share units vest immediately upon grant and are redeemed on a date chosen by the participant (subject to certain restrictions as set out in the plan). The units granted are accounted for under the liability method whereby a liability is recorded at grant date equal to the fair value of the RSU. The liability is adjusted to fair value at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery. The cash paid on exercise of these restricted share units is recorded as a reduction of the accrued obligation.

p. Financial Instruments

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition. Where, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, the investment is reclassified into the available-for-sale category. All financial liabilities are initially recognized at their fair value and designated upon inception as either financial liabilities measured at fair value through profit or loss or other financial liabilities.

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

i. Financial assets

Financial assets recorded at fair value through profit or loss

Financial assets are classified as fair value if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in profit or loss.

The Company's cash and cash equivalents, restricted cash, reclamation trust fund and short-term investments are classified as financial assets measured at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are de-recognized or impaired.

The Company's amounts receivable and long-term receivables are classified as loans and receivables. A provision is recorded when the estimated recoverable amount of the loan or receivable is lower than the carrying amount. The Company believes the carrying values of amounts receivable and long-term receivables approximate their fair values.

ii. Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities classified as fair value through profit or loss include financial liabilities designated as held-for-trading and financial liabilities designated upon initial recognition as a fair value through profit or loss financial liability. Derivatives, including separable embedded derivatives are classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in the Statements of Earnings (Loss) and Comprehensive Income (Loss).

From time to time, the Company may utilize forward foreign exchange contracts to economically hedge certain anticipated cash flows. Furthermore, the Company may enter into "good until cancelled" contract to sell gold at a specific price; these are short-term contracts that are normally closed before the end of the reporting date. These contracts are classified and accounted for as instruments "held-for-trading" because they do not qualify as hedges. The contracts are recorded at fair value at the reporting date with the resulting gain or loss recognized in the Statements of Earnings (Loss) and Comprehensive Income (Loss).

Other financial liabilities

Borrowings and other financial liabilities, excluding derivative liabilities, are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Borrowings and other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the Consolidated Statement of Financial Position.

The Company's trade and other payables and short-term debt are classified as other financial liabilities.

4. Critical Accounting Estimates And Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies, which are described in note 3, the reported amounts of assets and liabilities and disclosure of commitments and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from those estimates.

Management's estimates and underlying assumptions are reviewed on an ongoing basis. Any changes or revisions to estimates and underlying assumptions are recognized in the period in which the estimates are revised and in any future periods affected.

The key sources of estimation uncertainty and judgments used in the preparation of these consolidation financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are discussed below:

i. Impairment of long-term assets and goodwill

The Company reviews and tests the carrying amounts of long-term assets and goodwill when an indicator of impairment is considered to exist. The Company considers both external and internal sources of information in assessing whether there are any indications that long-term assets and goodwill are impaired. External sources of information that the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amounts of long-term assets and goodwill. Internal sources of information that the Company considers include the manner in which long-term assets are being used or are expected to be used and indications of economic performance of the assets.

For the purposes of determining whether an impairment of assets, including goodwill, has occurred, and the amount of any impairment or its reversal, management uses key assumptions in estimating the recoverable value of a CGU which is calculated as the higher of the CGU's value-in-use and fair value less costs of disposal. Management performed a goodwill impairment test for the Kumtor CGU as at September 1, 2013 and calculated the fair value less cost of disposal using a discounted cash flow model which required management to estimate the future cash flows, future operating plans, gold prices, discount rates and exchange rates.

Expected gold production levels, which comprise proven and probable reserves and a conversion estimate of resources, are used to estimate expected future cash flows. Management also estimates future operating and capital costs based on the most recently approved life of mine plan. The discount rate applied is reviewed annually.

While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the recoverable amount of the CGU. Please see Note 12 for additional information on the basis for management's estimates.

Changes in these estimates which decrease the estimated recoverable amount of the CGU could affect the carrying amounts of assets and result in an impairment charge. The carrying amount of goodwill in the consolidated financial statements at December 31, 2013 and December 31, 2012 was $129.7 million. The carrying amount of long-term assets (property plant and equipment, restricted cash, other assets and long-term inventories), other than goodwill at December 31, 2013 was $575.3 million (2012 - $665.4 million).

ii. Inventories of stockpiled ore, in-circuit and gold doré

Management makes estimates of recoverable quantities of gold in stockpiled ore, ore stacked on heap leach pads and in process to determine the average costs of finished goods sold during the period and the value of inventories in the Company's Statements of Financial Position. Net realizable value tests are performed at each reporting period based on the estimated future sales price of the gold doré, based on prevailing and long-term gold prices, less estimated costs to complete production and bring the gold to selling condition.

The recoverable quantity of ore on stockpiles is estimated based on tonnage added and removed from the stockpiles, the amount of contained gold ounces based on assay data, and the estimated recovery percentage based on the historical recoveries obtained in the expected processing method. Stockpiled ore tonnage is verified by periodic surveys.

Estimates of the recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads based on tonnage added to the leach pads, the grade of ore placed on the leach pads based on assay data and a recovery percentage based on metallurgical testing and ore type.

Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of gold actually recovered, the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical reconciliation process is constantly monitored and engineering estimates are refined based on actual results over time.

As at December 31, 2013 the carrying amount of inventories (excluding gold doré and supplies inventories) was $201.9 million (2012 -$119.6 million)

iii. Asset retirement obligation

Amounts recorded for asset retirement obligations and the related accretion expense require the use of estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mine site, as well as the timing of the reclamation activities and estimated discount rate. The Company assesses and revises its asset retirement obligations on an annual basis or when new material information becomes available. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation costs.

A change in any or a combination of the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (see note 17(a)). Changes to the estimated future reclamation costs for operating sites are recognized in the Statement of Financial Position by adjusting both the retirement asset and provision, and will impact earnings as these amounts are amortized and accreted over the life of the mine.

The carrying amount of the asset retirement obligations as at December 31, 2013, was $60.0 million (2012- $54.6 million).

iv. Deferred income taxes

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. In calculating the income taxes, the Company considers factors such as tax rates in the different jurisdictions, non-deductible expenses, changes in tax law, and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the financial statements.

The Company does not recognize deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in future periods in these estimates, and changes in the amount of the deferred tax assets recognized may be required, which could materially impact the financial position and the income for the period. At December 31, 2013, the total deductible temporary differences for which a deferred tax asset is not recognized amounted to $311.6 million (2012- $285.1 million). Most of the unrecognized amount relates to unused loss carry forwards. Deferred tax assets of $7.0 million (2012 - $5.5 million) were recognized in the Company's statement of financial position.

At December 31, 2013, the total taxable temporary differences for which a deferred tax liability is not recognized amounted to $779.0 million (2012- $847.0 million). Most of the unrecognized amounts relate to investments in subsidiaries, which the Company controls, and are not expected to reverse for the foreseeable future. Deferred tax liabilities of $9.1 million (2012 - $7.3 million) were recognized in the Company's statement of financial position.

v. Share-based Compensation

Cash and equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined using the Black-Scholes option pricing model or Monte Carlo simulation model, is based on significant assumptions such as volatility, expected life, expected dividends, risk-free interest rate and expected forfeiture rates. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability of the instruments and employees' behavioral considerations.

A change in any or a combination of the key assumptions used to determine the fair value of the issued share-based compensation at grant date and at the reporting date, could have a material impact on the share-based compensation expense and the carrying value of the share-based compensation liabilities.

Total share-based compensation cost expense recorded in the Statement of Earnings (Loss) and Comprehensive Income (Loss) for the year ended December 31, 2013 was $ 2.4 million (2012- recovery of $ 3.0 million) and carrying amount of the associated liabilities was $ 1.6 million as at December 31, 2013 (2012- $ 5.2 million).

vi. Depreciation, depletion and amortization period for property plant and equipment

All mining assets (except for mobile equipment and buildings) are amortized using the units-of-production method where the mine operating plan calls for production from well-defined ore reserves over proven and probable reserves.

For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on proven and probable ore reserve as the useful lives of these assets are considered to be limited to the life of the relevant mine. The calculation of the units-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proven and probable ore reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating ore reserves.

Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and other factors impacting mineral reserves or the expected life of the mining operation.

vii. Mineral reserve and resources estimation

The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the National Instrument 43-101, Standards of Disclosure for Mineral Projects requirements. The estimation of ore reserves requires judgment to interpret available geological data then select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licenses. There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation and may change significantly when new information becomes available. New geological data as well as changes in the above assumptions may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Estimates of mineral reserves and resources impact the following items in the financial statements:

- Useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine
- Depreciation and depletion of assets using the units-of-production method
- Estimate of recoverable value of CGUs
- Estimated timing of reclamation activities
- Expected future economic benefit of expenditures, including stripping and development activities

viii.Litigation and contingency

On an ongoing basis the Company is subject to various claims and other legal disputes described in note 27, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognized where, based on the Company's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

By their nature, these contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment of the potential outcome of future events. Disclosure of other contingent liabilities is made unless the possibility that a loss may occur is considered remote.

5. Changes in accounting policies

Recently issued but not adopted accounting guidance are as follows:

On May 21, 2013, the IASB issued IFRIC 21, *Levies,* an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, *Provisions, contingent liabilities and contingent assets*. IAS 37 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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company is assessing the impact on its consolidated financial statements from the adoption of IFRIC 21 effective January 1, 2014.

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 amendments made to IFRS 9 in November 2013 remove the mandatory effective date from 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.

Adoption of New Accounting Standards and Developments

The comparative information presented in these financial statements for the year ended December 31, 2013 and the financial position as at December 31, 2012 have been restated as a result of the new IFRS standards adopted as at January 1, 2013 as explained below:

The Company adopted IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") and therefore applied the requirements to production stripping costs incurred on or after January 1, 2012, in accordance with the transitional provisions of IFRIC 20. The Company also analyzed its stripping assets recorded as of January 1, 2012, the date of the earliest period presented, in accordance with the transitional provisions of IFRIC 20 and concluded that its stripping activity assets are identifiable components of the ore body and that no adjustments were required as at January 1, 2012.

The interpretation provides guidance on how to account for overburden waste stripping costs in the production phase of a surface mine. Stripping activity related to inventory produced is accounted for in accordance with IAS 2, *Inventories.* Stripping activity that improves access to ore is accounted for as an addition to or enhancement of an existing asset.

Under the Company's previous accounting policy, stripping costs incurred in the production phase of a mining operation were capitalized when the stripping activity increased future output of the mine by providing access to additional reserves outside the original mine plan. Under IFRIC 20, the Company recognizes stripping activity assets, when the following three criteria are met:

i. it is probable that the future economic benefit associated with the stripping activity will flow to the Company;
ii. the Company can identify the component of the ore body for which access has been improved; and
iii. the costs relating to the stripping activity associated with that component can be measured reliably by the Company.

Stripping activity assets capitalized under IFRIC 20 are classified as capitalized stripping costs as part of the Company's property plant and equipment. The adoption of IFRIC 20 resulted in an increase in the capitalization of stripping activity assets on the Company's Consolidated Financial Position and an increase in earnings as costs that were expensed under the Company's previous accounting policy, as they related to accessing reserves in the original mine plan, are now capitalized because they meet the three criteria for recognition under IFRIC 20. These additional stripping activity costs are amortized on a unit of production basis in subsequent periods over the proven and probable reserves to which they relate. Inventories were adjusted for the impact of capitalized production stripping costs and the depreciation of stripping activity assets which is included in the cost of inventories.

The Company's policy for amortization of the stripping activity assets is unchanged as a result of the adoption of IFRIC 20.

As a result of adopting IFRIC 20, the book value of property plant and equipment increased by $36.7 million and gold inventories increased by $3.6 million with a corresponding increase in earnings of $40.3 million for the year ended December 31, 2012.

This new pronouncement has no effect on the Company's cash balance and cash flow other than the presentation in the consolidated cash flow statement. Below is the net effect of the adoption of the new IFRIC 20 standard, as described above, on the Company's comparative financial statements as at and for the year ended December 31, 2012:

(Expressed in thousands of United States Dollars)

a) Consolidated Statements of Financial Position

(Thousands of U.S. Dollars)		**December 31, 2012**
Total assets- before adoption of IFRIC 20	$	1,554,131
Adjustments for:		
Addition of stripping costs in inventory		3,553
Capitalized stripping assets (Property plant and equipment)		36,714
Total assets- after adoption of IFRIC 20	$	1,594,398
Total shareholders' equity- before adoption of IFRIC 20	$	1,328,826
Adjustments for:		
Reversal of stripping costs included in cost of sales		4,155
Reversal of stripping costs included in abnormal mining costs		36,112
Total shareholders' equity- after adoption of IFRIC 20	$	1,369,093

b) Adjustments to Consolidated Statements of loss and Comprehensive loss

(Thousands of U.S. Dollars)		**Year ended December 31, 2012**
Net loss and comprehensive loss - before adoption of IFRIC 20	$	(183,998)
Adjustments to:		
Cost of sales		4,155
Abnormal mining costs		36,112
Net loss and comprehensive loss- after adoption of IFRIC 20	$	(143,731)
Basic and diluted loss per common share- before adoption of IFRIC 20	$	(0.78)
Basic and diluted loss per common share- after adoption of IFRIC 20	$	(0.61)

(Expressed in thousands of United States Dollars)

c) Adjustments to Consolidated Statements of Cash flow

(Thousands of U.S. Dollars)		**Year ended December 31, 2012**
Net cash provided by operations - before adoption of IFRIC 20	$	134,720
Adjustments to:		
Reversal of stripping costs included in earnings		40,266
Depreciation, depletion and amortization		(131)
Change in working capital- inventories		(1,464)
Net cash provided by operations- after adoption of IFRIC 20	$	173,391
Net cash used in investing activities- before adoption of IFRIC 20		
Adjustment to:	$	(48,639)
Stripping costs capitalized as additions to PP&E		(38,671)
Net cash used in investing activities- after adoption of IFRIC 20	$	(87,310)

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), which replaces parts of IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") and all of SIC-12 *Consolidation – Special Purpose Entities*, which changes the definition of control which is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 11 *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* and requires a venturer to classify its interest in a joint arrangement as either a joint operation or a joint venture. For a joint operation, the joint operator will recognize its assets, liabilities, revenue and expenses, and/or its relative share thereof. For a joint venture, the joint venturer will account for its interest in the venture's net assets using the equity method of accounting. This is a change from the previous standard used by the Company, under which the Company chose to proportionally consolidate joint ventures. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 12 *Disclosure of Interests in Other Entities ("IFRS 12").* IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of this standard did not have a material impact on the Company's disclosures.

(Expressed in thousands of United States Dollars)

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 13 *Fair Value Measurement ("IFRS 13")* which replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The adoption of this standard did not have an effect on the amounts recognized in the Company's consolidated financial statements for the current period. The disclosure requirements of IFRS 13 have been incorporated in the Company's consolidated financial statements for the year ended December 31, 2013.

6. Acquisition of interest in Öksüt Gold Project

On January 24, 2013 the Company acquired the remaining 30% interest that it did not own in the Öksüt Gold Project located in the Kayseri region of central Turkey. The Company paid $20.2 million, (including transaction costs of $0.2 million), and granted a 1% Net Smelter Return royalty on the project, subject to a maximum of $20 million, as consideration for the 30% interest acquired. The net assets acquired included $0.4 million of cash.

The acquisition was accounted for as an equity transaction as the Company controlled the entity before the acquisition of the additional interest.

7. Restricted cash

(Thousands of U.S. Dollars)		**2013**		2012
Dividend trust account	$	**10,731**	$	5,938
Other		**-**		149
	$	**10,731**	$	6,087

Pursuant to an Ontario court order last updated on June 5, 2013, $5.3 million of Centerra dividends otherwise payable to Kyrgyzaltyn JSC during the year ended December 31, 2013, were transferred to a trust for the credit of the court proceedings commenced by a Turkish company, Sistem Muhenkislik Insaat Sanayi Tiacaret SA. The court order set a maximum of approximately Cdn$11.3 million to be held in trust, and the maximum was reached in July 2013. As at December 31, 2013 the full amount required under the court order of Cdn$11.3 million (equivalent of $10.6 million) together with interest earned of $0.1 million was held in trust.

(Expressed in thousands of United States Dollars)

The dividend payable and restricted cash held in trust for the credit of this court proceeding have been classified as long-term since the timing of the resolution of the court proceedings is unknown.

8. Amounts receivable

(Thousands of U.S. Dollars)		2013		2012
Gold sales receivable from related party (note 28)	$	**69,382**	$	48,325
Gold sales receivable from third party		**4,777**		17,906
Other receivables		**4,548**		9,107
	$	**78,707**	$	75,338

The aging of the gross amounts receivable at each reporting date was as follows:

(Thousands of U.S. Dollars)		2013		2012
Less than 1 month	$	**75,389**	$	68,203
1 to 3 months		**144**		884
Over 3 months		**3,174**		6,251
	$	**78,707**	$	75,338

The Company has not recorded any allowance for credit losses for the periods presented above.

(Expressed in thousands of United States Dollars)

9. Inventories

(Thousands of U.S. Dollars)		2013		2012
				(Restated) (Note 5)
Stockpiles of ore	$	**161,818**	$	94,288
Gold in-circuit		**27,212**		19,140
Heap leach in circuit		**12,860**		6,189
Gold doré		**2,699**		7,612
		204,589		127,229
Supplies		**173,929**		175,430
Total Inventories (net of provisions)		**378,518**		302,659
Less: Long-term inventory (heap leach gold inventories)		**(5,229)**		(10,094)
Total Inventories-current portion	$	**373,289**	$	292,565

As a result of an increase in cost and decrease in the price of gold at June 30, 2013, stockpiles of ore inventory was written down to net realizable value at June 30, 2013. There were no further write downs of inventory during the year ended December 31, 2013. An impairment of $3.2 million was charged to cost of sales during the year ended December 31, 2013.

The provision for mine supplies obsolescence was increased for the year ended December 31, 2013 by $0.9 million (December 31, 2012- $0.8 million). The increase in the provision was charged to cost of sales.

During the year ended December 31, 2012, the Company de-recognized underground supplies inventories of $14.0 million as part of the $180.7 million de-recognition of the underground development costs and underground assets resulting from the new mine plan for Kumtor announced on November 7, 2012.

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

(Thousands of U.S. Dollars)		2013		2012
				(Restated) (Note 5)
Total inventories	$	**382,404**	$	305,632
Less : Provisions for supplies obsolescence		**(3,886)**		(2,973)
Total Inventories (net of provisions)		**378,518**		302,659
Less: Long-term inventory (heap leach stockpiles)		**(5,229)**		(10,094)
Total Inventories-current portion	$	**373,289**	$	292,565

(Expressed in thousands of United States Dollars)

10. Prepaid expenses

(Thousands of U.S. Dollars)		2013		2012
Revenue based taxes	$	**10,000**	$	30,000
Insurance		**6,488**		6,120
Rent		**399**		586
Deposit for consumable supplies		**9,823**		10,260
Others		**2,481**		2,351
Total	$	**29,191**	$	49,317

11. 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	Mineral properties	Capitalized stripping costs	Mobile Equipment	Construction in progress ("CIP")	Total
Cost						
January 1, 2012	$ 376,611	$ 187,434	$ 116,198	$ 346,927	$ 178,541	$ 1,205,711
Additions	7,422	2,288	251,700	146,371	55,091	462,872
De-recognition of underground assets	(4,063)	-	-	(18,521)	(155,613)	(178,197)
Disposals	(1,032)	(829)	-	(26,650)	-	(28,511)
Reclassification	3,556	-		4,517	(8,073)	-
Balance December 31, 2012-restated	**$ 382,494**	**$ 188,893**	**$ 367,898**	**$ 452,644**	**$ 69,946**	**$ 1,461,875**
Additions	318	5,215	278,638	277	97,401	381,849
Disposals	(21,473)	(545)	-	(68,554)	-	(90,572)
Reclassification	31,098	3,376	-	80,994	(115,468)	-
Balance December 31, 2013	**$ 392,437**	**$ 196,939**	**$ 646,536**	**$ 465,361**	**$ 51,879**	**$ 1,753,152**
Accumulated depreciation						
January 1, 2012	$ 242,694	$ 123,910	$ 75,747	$ 173,209	$ -	$ 615,560
Charge for the year	9,673	9,381	143,407	96,446	-	258,907
De-recognition of underground assets	(2,121)	-		(9,366)	-	(11,487)
Disposals	(832)	(726)	-	(25,470)	-	(27,028)
Balance December 31, 2012-restated	**$ 249,414**	**$ 132,565**	**$ 219,154**	**$ 234,819**	**$ -**	**$ 835,952**
Charge for the year	17,277	15,236	330,993	102,173	-	465,679
Disposals	(19,581)	(153)	-	(67,815)	-	(87,549)
Balance December 31, 2013	**$ 247,110**	**$ 147,648**	**$ 550,147**	**$ 269,177**	**$ -**	**$ 1,214,082**
Net book Value						
Balance December 31, 2012-restated	$ 133,080	$ 56,328	$ 148,744	$ 217,825	$ 69,946	$ 625,923
Balance December 31, 2013	**$ 145,327**	**$ 49,291**	**$ 96,389**	**$ 196,184**	**$ 51,879**	**$ 539,070**

(Expressed in thousands of United States Dollars)

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

(Thousands of U.S. Dollars)		2013		2012
Amount recorded in cost of sales (note 18)	**$**	**309,037**	$	142,068
Amount recorded in corporate administration (note 23)		**352**		248
Amount recorded in abnormal mining costs		**-**		7,033
Amount recorded in mine standby costs		**-**		2,151
Amount recorded in other operating expenses		**-**		1,237
Total included in Statements of Cash flows		**309,389**		152,737
Recorded in inventory (note 32(a))		**78,503**		37,125
Capitalised in property, plant and equipment (note 32(b))		**77,787**		69,045
Total	**$**	**465,679**	$	258,907

De-recognition of underground development costs and underground assets

On November 7, 2012, the Board of Directors approved an updated reserves estimate and new mine plan for Kumtor. Under the new mine plan, the existing underground development infrastructure at Kumtor will no longer be used. As a result, the Company de-recognized the capitalized cost of the underground development, underground equipment and the underground supplies inventories and recorded a charge of $180.7 million during the year ended December 31, 2012.

The following is a summary of the $180.7 million charge:

(Thousands of U.S. Dollars)		Net Amount
Development costs	$	155,613
Underground mobile equipment		11,097
Total de-recognized underground development and equipment costs		166,710
Underground development consumable inventory (note 9)		13,963
	$	180,673

12. Goodwill

The Company has two CGUs, one in the Kyrgyz Republic and one in Mongolia, of which only the Kyrgyz CGU has been allocated goodwill. The carrying value of goodwill for the Kyrgyz Republic remained unchanged at $129.7 million as at December 31, 2013 and December 31, 2012.

Annual Test as at September 1, 2013:
The Company performed its annual test for goodwill impairment as at September 1, 2013 in accordance with its policy described in note 3.

The net asset value ("NAV") of the Kyrgyz CGU is determined based on a discounted cash flow analysis and the recoverable amount is determined using a market multiple of the NAV as public gold companies typically trade at a market capitalization that is based on a multiple of their underlying NAV.

As an industry participant would consider future resources, including any expansion projects over the life-of-mine ("LOM") in determining fair value, the Company has also included the fair value of known resources in the recoverable value, based either on the conversion into production in the discounted cash flow model or estimated amount per ounce of resources that an arm's length party would be willing to pay based on comparable market transactions. As part of the Company's annual reserve estimation process, each CGU updates its LOM plan which optimizes the production of its proven and probable reserves. The LOM is enhanced with the inclusion of resource conversion based on management's best estimate of convertibility. The resulting valuation model includes the cash flows which management expects to generate over the mine's life, using various business and economic assumptions.

Key assumptions used in the discounted cash flow model and for calculating the Kyrgyz CGU recoverable amount used in the September 1, 2013 impairment test were as follows:

i. Gold price per ounce was $1,320 per ounce for the balance of 2013, $1,330 per ounce for 2014, $1,349 per ounce for 2015, $1,378 per ounce for 2016 and $1,350 per ounce for 2017 onwards. Management determined gold prices based on the average of the most recent market commodity price forecasts consensus up to September 1, 2013 from a number of recognized financial analysts.

   For the September 1, 2012 impairment test, gold price per ounce was $1,695 per ounce for the balance of 2012, $1,727 per ounce for 2013, $1,626 per ounce for 2014, $1,510 per ounce for 2015 and $1,249 per ounce for 2016 onwards..

ii. The cash flow model used for the 2013 test included the mining and processing of Kumtor's reserves totalling 9.1 million contained ounces (2012-7.4 million contained ounces). For the 2013 test, a fair value of $25 per ounce was also included for 5.3

(Expressed in thousands of United States Dollars)

million contained ounces of resources based on comparable historic market transactions. Management expects the Kyrgyz CGU to continue mining and processing ore (including converted resources) through 2026. Management determined its planned production profile and total life of mine production based on its development activity and its mine and processing plans as at September 1, 2013.

The 2012 annual test included 2.6 million contained ounces of converted resources into the cash flow model.

iii. A real after tax discount rate of 11.7% (2012–11.5%) based on the Company's estimated weighted-average cost of capital adjusted for the risks associated with the Kyrgyz cash flows.

As a result of the amount of the excess of fair value less cost of disposal as compared to the carrying amount of the Kyrgyz CGU as at September 1, 2013, management believes no reasonably possible change in assumptions would cause the carrying amount of the CGU to exceed its current recoverable amount as of December 31, 2013.

13. Other assets

(Thousands of U.S. Dollars)		**2013**		**2012**
Reclamation trust fund (note 17)	**$**	**13,523**	$	11,328
Other long term receivables		**1,754**		263
Other assets[(a)]		**4,999**		11,679
Total	**$**	**20,276**	$	23,270

a) Includes $0.6 million (December 31, 2012 - $7.2 million) of deposits for the purchase of mobile equipment.

14. Accounts payable and accrued liabilities

(Thousands of U.S. Dollars)		**2013**		**2012**
Trade creditors and accruals	**$**	**30,541**	$	58,704
Liability for share-based compensation		**1,568**		5,236
Total	**$**	**32,109**	$	63,940

15. Short-term debt

On November 16, 2010 the Company entered into a Credit Agreement with the European Bank for Reconstruction and Development ("EBRD") which provides for a $150 million, three-year revolving credit facility (the "Facility"). On December 11, 2013 the Company extended the Facility term to February 17, 2015.

(Expressed in thousands of United States Dollars)

As at December 31, 2013, the Company had $76 million outstanding debt under the Facility due for repayment on February 10, 2014. The $76 million drawn amount was subsequently redrawn on February 10, 2014 and is due to be repaid on August 11, 2014 or, at the Company's discretion, repayment of the loaned funds may be extended until February 2015.

The amounts drawn on the Facility bear interest at the six-month LIBOR rate plus 2.9% (3.37% at December 31, 2013 and 3.62% at December 31, 2012). Interest is payable at the end of the term. A commitment (standby) fee is also payable on the undrawn amount of the Facility. A commitment fee of 0.75% is applied to the undrawn portion of the Facility when less than 50% of the Facility amount is drawn, or 0.50% when more than 50% of the Facility amount is drawn.

The terms of the Facility requires the Company to pledge certain mobile equipment at Kumtor, with a net book value of $182.1 million as security and maintain compliance with specified covenants, including financial covenants. The Company was in compliance with the covenants at December 31, 2013.

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

(Thousands of U.S. Dollars)		**2013**		**2012**
Revolver credit facility	**$**	**76,000**	$	76,000
Deferred financing fees		**(418)**		(1,383)
Total	**$**	**75,582**	$	74,617

16. Taxes

a. Revenue Based Taxes - Kumtor

Kumtor pays taxes on revenue, at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue payable to the Issyk-Kul Oblast Development Fund.

During the year ended December 31, 2013, the 13% revenue-based tax expense recorded by Kumtor was $105.4 million ($69.4 million in 2012), while Issyk-Kul Oblast Development Fund contribution of 1% of gross revenue totaled $8.1 million ($5.3 million in 2012).

As at December 31, 2013, $30.7 million of revenue-based tax is payable to the Kyrgyz Government (December 31, 2012– $18.6 million).

On May 28, 2012, a tax advance agreement was signed by Kumtor and the Kyrgyz Government and $30 million of future revenue-based taxes were advanced to the government. $20 million of this interest-free advance was applied against revenue-based taxes otherwise payable during the year ended December 31, 2013. The remaining balance to be applied against revenue-based taxes otherwise payable during 2014 is included in prepaid expenses at December 31, 2013 (note 10).

(Expressed in thousands of United States Dollars)

b. Income Tax Expense

(Thousands of U.S. Dollars)		**2013**		2012
Current tax	**$**	**12,775**	$	11,734
Deferred tax		**378**		(50)
Total Income Tax Expense	**$**	**13,153**	$	11,684

No entities, other than those in the Mongolian segment, recorded income tax expense during the years ended December 31, 2013 and December 31, 2012.

The provision for income tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(Thousands of U.S. Dollars)		**2013**		**2012**
Earnings (loss) before income tax	**$**	**170,829**	$	**(132,047)**
Income tax calculated at Canadian tax rates if applicable to earnings (loss) in the respective countries		**45,270**		(34,992)
Income tax effects of:				
Difference between Canadian rate and rates applicable to subsidiaries in other countries		**(50,769)**		30,399
Change in unrecognized deductible temporary differences		**10,533**		8,040
Impact of foreign currency movements		**2,736**		298
Non-deductible employee costs		**1,057**		1,339
Other non-deductible expenses or non-taxable items		**4,326**		6,600
	$	**13,153**	$	11,684

(Expressed in thousands of United States Dollars)

c. Deferred Income Tax

The significant components of deferred income tax assets and liabilities are as follows:

(Thousands of U.S. Dollars)		2013		2012
Deferred income tax assets:				
Inventory	**$**	**651**	$	1,530
Provisions - asset retirement obligation		**6,336**		4,009
Total deferred tax assets	**$**	**6,987**	$	5,539
Deferred income tax liabilities:				
Cash and cash equivalents	**$**	**(2,251)**	$	(848)
Short-term investments		**(930)**		(930)
Property plant and equipment		**(5,963)**		(5,569)
Total deferred tax liabilities	**$**	**(9,144)**	$	(7,347)
Net deferred tax assets/(liabilities)	**$**	**(2,157)**	$	(1,808)

The Company has the following positions in respect of which no deferred income tax asset has been recognized:

(Thousands of U.S. Dollars)	Tax losses income	Tax losses capital	Exploration	Non Deductibles Reserves	Other	Total
December 31, 2013						
Expiring within one to five years	$ **27,213**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 27,213**
Expiring after five years	**210,905**	**-**	**-**	**-**	**-**	**210,905**
No expiry date	**323**	**34,939**	**33,103**	**-**	**5,133**	**73,498**
	$ 238,441	**$ 34,939**	**$ 33,103**	**$ -**	**$ 5,133**	**$ 311,616**
December 31, 2012						
Expiring within one to five years	$ 23,120	$ -	$ -	$ -	$ -	$ 23,120
Expiring after five years	191,592	-	-	-	-	191,592
No expiry date	260	32,458	26,772	3,679	7,177	70,346
	$ 214,972	$ 32,458	$ 26,772	$ 3,679	$ 7,177	$ 285,058

At December 31, 2013, no deferred tax liabilities have been recognized in respect of the aggregate amount of $779.0 million (2012 - $847.0 million) of taxable temporary differences associated with investments in subsidiaries, as the Company controls the timing and circumstances of the reversal of these differences, and the differences are not anticipated to reverse in the foreseeable future.

(Expressed in thousands of United States Dollars)

d. Taxes payable

(Thousands of U.S. Dollars)		2013		2012
Other taxes payable	**$**	**1,106**	$	1,207
Income taxes payable		**1,002**		3,973
Total taxes payable	**$**	**2,108**	$	5,180

17. Provisions

(Thousands of U.S. Dollars)			2013		2012
Asset retirement obligations	(a)	**$**	**60,020**	$	54,554
Other provision	(b)		**-**		614
Total provisions			**60,020**		55,168
Less: current portion			**(1,194)**		(5,257)
		$	**58,826**	$	49,911

(a) Asset Retirement Obligations

(Thousands of U.S. Dollars)		2013		2012
Kumtor gold mine	**$**	**37,033**	$	30,986
Boroo gold mine		**22,987**		23,568
Total asset retirement obligations		**60,020**		54,554
Less: current portion		**(1,194)**		(4,643)
	$	**58,826**	$	49,911

Centerra's estimates of future asset retirement obligations are based on reclamation standards that meet regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, reclamation plans and cost estimates, discount rates and timing of expected expenditures.

The Company estimates its total undiscounted future decommissioning and reclamation costs at December 31, 2013 to be $79.6 million (December 31, 2012 - $61.6 million). The following is a summary of the key assumptions on which the carrying amount of the asset retirement obligations is based:

i. Expected timing of payment of the cash flows is based on the LOM plans.
ii. Ongoing reclamation spending continues at Boroo, while at Kumtor reclamation is expected to start at the end of its mine life.
iii. Risk-free discount rates of 3.0% at Kumtor and 2.2% at Boroo at December 31, 2013

(Expressed in thousands of United States Dollars)

(December 31, 2012- 2% at Kumtor and 1.3% at Boroo).

The following is a reconciliation of the total discounted liability for asset retirement obligations:

(Thousands of U.S. Dollars)		**2013**		**2012**
Balance at January 1	**$**	**54,554**	$	55,625
Liabilities paid		**(675)**		(702)
Impact of revisions in estimated timing, discount rates and amount of cash flows		**5,215**		(1,129)
Accretion expense		**926**		760
Total asset retirement obligations		**60,020**		54,554
Less: current portion		**(1,194)**		(4,643)
Balance at December 31	**$**	**58,826**	$	49,911

In 1998, a Reclamation Trust Fund was established to cover the future costs of reclamation at the Kumtor gold mine, net of salvage values. This restricted cash is funded using the units of production method, annually in arrears, over the life of the mine. On December 31, 2013 this fund had a balance of $13.5 million (December 31, 2012 - $11.3 million).

The Company completed its regularly scheduled update to closure costs estimates at Kumtor in late 2013 and also completed a revision to the closure costs at Boroo. The latest update at Kumtor resulted in an increase in the reclamation provision of $5.4 million. This was partially offset by a decrease of $0.2 million of the Boroo provision. The last closure cost update at Boroo was completed in 2011 and there have been no material changes to its asset retirement obligation since that time.

(b) Other provision

On February 27, 2012, the Company announced that it would close its exploration office in Reno, Nevada USA as of June 30, 2012. As a result, a $0.95 million provision was recorded by the Company. The provision was based on current estimates of the likely amounts to be incurred and include termination benefits that affected employees were entitled to receive. During the year ended December 31, 2013, the provision was fully settled (2012- $0.33 million).

(Expressed in thousands of United States Dollars)

18. Cost of sales

(Thousands of U.S. Dollars)		2013		2012
				(Restated)
Operating costs:				(Note 5)
Salaries and benefits	**$**	**76,356**	$	72,251
Consumables		**130,168**		92,766
Third party services		**5,515**		5,789
Other operating costs		**18,423**		18,236
Royalties, levies and production taxes		**9,754**		6,500
Inventory impairment (Note 9)		**3,198**		-
Changes in inventories		**6,785**		45,706
		250,199		241,248
Depreciation, depletion and amortization (note 11)		**309,037**		142,068
	$	**559,236**	$	383,316

19. Abnormal mining costs

(Thousands of U.S. Dollars)		2013		2012
				(Restated)
				(Note 5)
Unloading of abnormal waste	**$**	**-**	$	24,769
	$	**-**	$	24,769

The Company announced on March 27, 2012 its decision to re-sequence the Kumtor mine plan and delay the mining of ore in the SB zone due to concerns created by the acceleration of ice and waste movement in the high movement area above the southeast portion of the SB zone. The revised mining plan for 2012 required that a significant area of ice and waste be removed, primarily located outside of the current pit limits, the costs of which were expensed.

20. Mine Standby Costs

Over a period of ten days ending February 16, 2012 the Company's operations at Kumtor were temporarily suspended due to a labour dispute initiated by unionized workers at Kumtor. The Company incurred and expensed $4.6 million in labour, maintenance and mine support costs directly as a result of the labour dispute at Kumtor. No such instance occurred during the year ended December 31, 2013.

(Expressed in thousands of United States Dollars)

21. Other Operating expenses

(Thousands of U.S. Dollars)		2013		2012
Social development contributions [(a)]	$	**6,378**	$	26,163
Net alluvial production (income) expenses		**-**		(48)
Project care and maintenance[(b)]		**352**		369
Project closure[(c)]		**1,529**		7,796
	$	**8,259**	$	34,280

a) On-going spending on social development programs during the year ended December 31, 2013 were $6.4 million ($6.2 million in the Kyrgyz Republic and $0.2 million in Mongolia). During the year ended December 31, 2012, the Company, through its subsidiary Kumtor, contributed $21 million to a national micro-credit financing program, whose objective is to provide financing for small sustainable development projects throughout the Kyrgyz Republic. The Company also accrued a further $1.1 million for the construction and equipping of a maternity hospital in Ulaanbaatar through the Boroo Community Development Initiatives program in Mongolia. A further $4.0 million was contributed to various social development programs in the Kyrgyz Republic and Mongolia during the year ended December 31, 2012.

b) Project care and maintenance costs of $0.4 million for the year ended December 31, 2013 (2012- $0.4 million) were incurred to maintain the site at the Gatsuurt development project.

c) Underground project closure costs of $1.5 million were incurred by Kumtor for the year ended December 31, 2013 (2012- $7.8 million) following the change in mine plan announced on November 7, 2012 and the decision to expand the open pit at Kumtor. Closure activities at the underground project focused on salvaging equipment and closing the portals safely. In carrying out these closure activities, the Company incurred costs for labour, ground condition monitoring, remedial work, water control and ventilation.

22. Exploration and business development costs

(Thousands of U.S. Dollars)		2013		2012
Exploration:				
Mine site exploration	**$**	**6,115**	$	11,446
Advanced projects		**10,496**		9,754
Generative exploration and other projects		**10,545**		13,880
Exploration administration		**2,517**		3,311
Total exploration		**29,673**		38,391
Business development		**23**		592
	$	**29,696**	$	38,983

(Expressed in thousands of United States Dollars)

23. Corporate Administration

(Thousands of U.S. Dollars)		**2013**		**2012**
Administration and office	**$**	**6,426**	**$**	7,574
Professional fees		**7,322**		7,186
Salaries and benefits		**13,985**		15,099
Share-based compensation (recovery)		**2,557**		(3,061)
Depreciation and amortization (note 11)		**352**		248
	$	**30,642**	**$**	27,046

24. Other (income) and expenses, net

(Thousands of U.S. Dollars)		**2013**		**2012**
Interest income	**$**	**(559)**	$	(728)
Loss on disposal of assets		**2,664**		556
Bank charges		**61**		67
Miscellaneous income		**(1,251)**		(119)
Foreign exchange loss		**2,653**		92
	$	**3,568**	$	(132)

25. Finance costs

(Thousands of U.S. Dollars)		**2013**		**2012**
Revolving credit facility:				
Amortization of deferred financing costs	**$**	**1,091**	$	1,091
Interest expense		**2,593**		1,117
Commitment fees and other revolving credit facility costs		**379**		1,010
Accretion expense (Note 17)		**926**		760
	$	**4,989**	$	3,978

(Expressed in thousands of United States Dollars)

26. 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 (loss) per Share

All potentially dilutive securities were excluded from the calculation of diluted loss per share for the year ended December 31, 2012 as they would have been anti-dilutive as a result of the net loss recorded for the period.

For the year ended December 31, 2013 certain potentially dilutive securities were excluded from the calculation of diluted earnings per share due to the exercise prices of certain stock options being greater than the average market price of the Company's ordinary shares for the period.

Basic and diluted earnings (loss) per share computation:

(Thousands of U.S. Dollars)		2013		2012
Net earnings (loss)	$	**157,676**	$	(143,731)
Adjustment to earnings (loss):				
Impact of performance share units accounted for as equity settled		**(5,172)**		-
Net earnings (loss) for the purposes of diluted earnings (loss) per share	$	**152,504**	$	(143,731)

(Thousands of common shares)		
Weighted average number of common shares outstanding	**236,382**	236,369
Effect of potential dilutive securities:		
Stock options	**23**	-
Restricted share units	**258**	-
Diluted weighted average number of common shares outstanding	**236,663**	236,369

Basic earnings (loss) per common share	$	**0.67**	$	(0.61)
Diluted earnings (loss) per common share	$	**0.64**	$	(0.61)

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

(Expressed in thousands of United States Dollars)

(Thousands of units)	2013	2012
Stock options	**1,953**	597
Restricted share units	**-**	92
	1,953	689

c. Dividends

Dividends are declared in Canadian dollars and paid in Canadian dollars. At December 31, 2013, accrued dividends payable to Kyrgyzaltyn were $10.6 million (2012- $5.9 million) (see note 28). The details of dividends distribution in 2013 and 2012 are as follows:

(Thousands of US$)		2013		2012
Dividends declared (Thousands of US$)	$	**36,369**	$	28,187
Dividends declared (Canadian Dollar per share amount)	$	**0.16**	$	0.12
	$	**0.16**	$	0.12

d. Share-Based Compensation

The impact of Share-Based Compensation is summarized as follows:

(Millions of U.S. dollars except as indicated)	Number outstanding	Expense/(Income)		Liability	
	Dec 31/13	**Dec 31/13**	Dec 31/12	**Dec 31/13**	Dec 31/12
(i) Stock options	**2,511,500**	**$ 2.8**	$ 2.3	**$ -**	$ -
(ii) PSUs	**609,312**	**-**	(3.3)	**-**	2.3
(iii) Annual PSUs	**150,582**	**-**	-	**-**	-
(iv) Deferred share units	**150,207**	**(0.7)**	(2.5)	**0.6**	1.9
(v) Restricted share units	**252,538**	**0.3**	0.5	**1.0**	1.0
		$ 2.4	$ (3.0)	**$ 1.6**	**$ 5.2**

(Expressed in thousands of United States Dollars)

(i) Stock Options

Centerra has established a stock option plan under which options to purchase common shares may be granted to officers and employees of the Company. Options granted under the plan have an exercise price of not less than the weighted average trading price of the common shares where they are listed for the five trading days prior to the date of the grant. Options granted vest over 3 years, except for special grants issued in 2010 and 2012 which vest under terms ranging from 9 months to 2 years. All issued options expire after eight years from the date granted. Options may be granted with a related share appreciation right. In these circumstances, the participant can either elect to receive shares by exercising the stock option or to receive payment in cash equal to the equivalent gain in the stock price. Centerra, at its discretion, can require any holder who has exercised a share appreciation right to exercise their option instead, or can elect to satisfy the cash amount owing upon exercise of a share appreciation right with common shares. There are currently no outstanding stock options grants with a share appreciation right.

A maximum of 18,000,000 common shares are available for issuance upon the exercise of options granted under the plan. Certain restrictions on grants apply, including that the maximum number of shares that may be granted to any individual within a 12-month period can not exceed 5% of the outstanding common shares.

Centerra's stock options transactions during the year were as follows:

	2013			**2012**			
	Number of Options		**Weighted Average Exercise Price-Cdn$**	Number of Options	##S L		Weighted Average Exercise Price-Cdn$
Balance, January 1	**1,674,194**	$	**11.88**	752,448		$	12.31
Granted	**986,811**		**6.70**	989,953			11.50
Forfeited	**(149,505)**		**(8.68)**	(37,455)	a		(16.42)
Exercised	**-**		**-**	(30,752)			(4.81)
Balance, December 31	**2,511,500**	$	**10.04**	1,674,194		$	11.88

(a) The average weighted average share price on the date of exercised was $19.56

The Black-Scholes model was used to estimate the fair value of stock options. In determining the fair value of these employee stock options, the following weighted average assumptions were used for the series issued in 2013:

(Expressed in thousands of United States Dollars)

Grant date	**Number of Options**	**Grant Price-Cdn$**	**Expected life**	**Share price Volatility (i)**	**Dividend Yield**	**Risk free rate**	**Fair value Price-Cdn$**
March 4, 2013	956,462	6.78	3 years	64.22 %	2.48 %	1.11 %	2.24
May 20, 2013	5,377	3.96	3 years	67.40 %	4.81 %	1.15 %	1.21
August 13, 2013	17,220	4.49	3 years	69.59 %	3.35 %	1.47 %	2.41
November 11, 2013	7,752	3.82	3 years	72.61 %	3.37 %	1.42 %	1.20
Total weighted average	**986,811**	**6.70**	**3 years**	**64.40 %**	**2.51 %**	**1.12 %**	**2.23**

(i) Expected volatility is measured as the annualized daily standard deviation of share price returns, based on historical movement of the Company's shares.

The terms of the options outstanding at December 31, 2013 are as follows:

Award Date	Award Price	Expiry date	Number of Options Outstanding	Number of Options Vested
2008	$14.29 (Cdn)	March 18, 2016	**38,030**	**38,030**
2009	$4.81 (Cdn)	February 17, 2017	**265,560**	**265,560**
2010	$14.37 (Cdn)	August 19, 2018	**100,000**	**100,000**
2011	$18.31 (Cdn)	March 7, 2019	**299,499**	**199,659**
2011	$22.28 (Cdn)	September 14, 2019	**5,033**	**4,356**
2012	$19.48 (Cdn)	March 6, 2020	**298,385**	**102,271**
2012	$7.29 (Cdn)	August 14, 2020	**89,797**	**34,194**
2012	$7.29 (Cdn)	August 14, 2020 (a)	**475,000**	**247,500**
2012	$9.31 (Cdn)	November 19, 2020	**50,000**	**50,000**
2013	$6.78 (Cdn)	March 4, 2021	**859,847**	**-**
2013	$3.96 (Cdn)	May 20, 2021	**5,377**	**-**
2013	$4.49 (Cdn)	August 13, 2021	**17,220**	**-**
2013	$3.82 (Cdn)	November 11, 2021	**7,752**	**-**
			2,511,500	**1,041,570**

(a) These options vest 50% on the first anniversary and 50% on the secondary anniversary

(Expressed in thousands of United States Dollars)

(ii) Performance share unit plan

Centerra has established a performance share unit plan for employees and officers of the Company. A performance share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the open market. Performance share units granted vest 50% at the end of the year after grant and the remaining 50% the following year. The number of units which will vest is determined based on Centerra's total return performance (based on the preceding sixty-one trading days volume weighted average share price) relative to the S&P/TSX Global Gold Index Total Return Index Value during the applicable period. The number of units that vest is determined by multiplying the number of units granted to the participant by the 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.

If dividends are paid, each participant will be allocated additional performance share units equal in value to the dividend paid on the number of common shares equal to the number of performance share units held by the participant, based on the sixty-one trading days volume weighted average share price on the date of the dividend.

Centerra's performance share unit plan transactions during the year were as follows:

	2013	2012
Balance, January 1	**603,126**	1,314,134
Granted	**405,505**	227,505
Exercised	**(345,682)**	(903,534)
Cancelled	**(53,637)**	(34,979)
Balance, December 31	**609,312**	603,126

The Monte Carlo simulated option pricing model was used in estimating the fair value of performance share units that are not vested as at year end. The model requires the use of subjective assumptions, including expected stock-price volatility, risk-free rate of return and forfeiture rate. Historical data has been considered in setting the assumptions. In determining the fair value of these units, the principal assumptions used in applying the Monte Carlo simulated option pricing model were as follows:

(Expressed in thousands of United States Dollars)

	2013	**2012**
Share price	$ **4.21**	$ 9.07
S&P/TSX Global Gold Index	$ **171.48**	$ 324.18
Expected life (years)	**1.40**	1.35
Expected volatility- Centerra's share price	**79.3** %	88.0 %
Expected volatility- S&P/TSX Global Gold Index	**40.7** %	29.4 %
Expected dividends	**3.4** %	1.3 %
Risk-free rate of return	**1.5** %	1.6 %
Forfeiture rate	**4.9** %	3.8 %

For the units that are fully vested as at year end, the fair value of the units were determined using the calculated sixty-one trading days volume weighted average share price multiplied by the adjustment factor. In determining the fair value of the vested units, the principal assumptions used were a share price of $3.83 and adjustment factor of Nil (December 31, 2012- share price of $10.33 and adjustment factor of 1.04).

The vested number of units outstanding as at December 31, 2013 are 165,644 (December 31, 2012 – 306,328). The fair value of the vested units at December 31, 2013 is Nil (December 31, 2012 – $2.3 million).

At December 31, 2013, the total number of units outstanding (vested and unvested) was 609,312, with a related liability of Nil (December 31, 2012 – 603,126, with a related liability of $2.3 million). During 2013, the calculated multiplier pay-out ratio was below the minimum adjusted factor resulting in no compensation cost recorded (a compensation cost recovery of $3.4 million was recorded in 2012) as a result of a decrease in the market price of the Company's common shares in 2013 and 2012.

(iii) Annual performance share unit plan

Centerra has established an annual performance share unit plan for eligible employees at its mine sites. A performance share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the market. At the start of a year, an eligible employee receives a number of performance share units based on Centerra's preceding sixty-one trading days volume weighted average share price. The number of units which will vest at the end of the same year is determined based on Centerra's total return performance (based on the preceding sixty-one trading days weighted average share price) relative to the S&P/TSX Global Gold Index Total Return Index Value during the applicable period. The number of units that vest is determined by multiplying the number of units granted to the participant by the adjustment factor, which can be as high as a factor of 2.0 or potentially result in no payout. The annual performance share units cannot be converted to shares by the unit holder.

If dividends are paid, each participant will be allocated additional performance share units equal in value to the dividend paid on the number of common shares equal to the number of performance share units held by the participant, based on the sixty-one trading days volume weighted average share price on the date of the dividend.

(Expressed in thousands of United States Dollars)

Centerra's annual performance share unit plan transactions during the year were as follows:

	2013	2012
Balance, January 1	**76,474**	77,013
Granted	**178,787**	89,654
Exercised	**(76,474)**	(77,013)
Cancelled	**(28,205)**	(13,180)
Balance, December 31	**150,582**	76,474

At December 31, 2013, the number of units outstanding and fully vested was 150,582 with a related liability of Nil (December 31, 2012– 76,474 with a related liability of $ Nil).

The fair value of the units that are fully vested as at year end was determined using the calculated sixty-one trading day volume weighted average share price multiplied by the adjustment factor. In determining the fair value of the vested units, the principal assumptions used were a share price of $3.83 and weighted average adjustment factor of Nil (December 31, 2012- share price of $10.33 and weighted adjustment factor of Nil).

No compensation cost expense was recorded on this plan for 2013 and 2012 as a result of the weighted adjustment factor of Nil.

(iv) Deferred share unit plan

Centerra has established a deferred share unit plan for Directors of the Company to receive all or a portion of their annual retainer as deferred share units. A similar plan was established to provide compensation in the form of deferred share units to the Company's Vice Chair (the "Vice Chair Deferred Unit Plan") for the duration of the Vice Chair's tenure.

Deferred share units are paid in full to a Director and to the Vice Chair no later than December 31 of the calendar year immediately following the calendar year of termination of service. A deferred share unit represents the right to receive the cash equivalent of a common share. Deferred share units vest immediately upon grant. If dividends are paid, each Director and the Vice Chair will be allocated additional deferred share units equal in value to the dividend paid on the number of common shares equal to the number of deferred share units held. The deferred share units cannot be converted to shares by the unit holder or by the Company.

Centerra's deferred share unit plan transactions during the year were as follows:

(Expressed in thousands of United States Dollars)

	2013	2012
Balance, January 1	**209,690**	354,516
Granted	**53,549**	12,724
Redeemed	**(113,032)**	(157,550)
Balance, December 31	**150,207**	209,690

At December 31, 2013, the number of units outstanding was 150,207 with a related liability of $0.6 million (December 31, 2012 – 209,690 with a related liability of $1.9 million). In 2013, a compensation cost recovery of $0.6 million was recorded for this plan (recovery of $2.4 million in 2012) as a result of a decrease in the market price of the Company's common shares in 2013 and 2012.

(v) Restricted share unit plan

Effective as of January 7, 2011, Centerra established a restricted share unit plan for non-executive Directors and designated employees of the Company to receive all or a portion of their annual retainer and salaries as restricted units.

The restricted share units vest immediately upon grant and are redeemed on a date chosen by the participant (subject to certain restrictions as set out in the plan). A restricted share unit represents the right to receive the cash equivalent of a common share or, at the holder's option, a common share issued from the Company's treasury. The plans reserves 1,000,000 shares for issuance. If dividends are paid, each participant will be allocated additional restricted share units equal in value to the dividend paid on the number of common shares equal to the number of restricted share units held.

Centerra's restricted share unit plan transactions during the year were as follows:

	2013	2012
Balance, January 1	**112,397**	49,659
Granted	**203,426**	94,737
Redeemed	**(63,285)**	(31,999)
Balance, December 31	**252,538**	112,397

At December 31, 2013, the number of units outstanding was 252,538 with a related liability of $1.0 million (December 31, 2012- 112,397 with a related liability of $1.0 million). Compensation expense for the plan was $0.3 million in 2013 and $0.5 million for 2012.

(Expressed in thousands of United States Dollars)

27. Commitments and Contingencies

Commitments

As at December 31, 2013, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $59.4 million at Kumtor which are expected to be settled over the next twelve months.

Leases

The Company enters into operating leases in the ordinary course of business, primarily for its various offices and facilities around the world. Payments under these leases represent contractual obligations as scheduled in each agreement. The significant operating lease payments, including operating costs, are for its corporate offices in Toronto, which amounted to $0.9 million in 2013 (2012 - $0.7 million). The future aggregate minimum lease payments for the non-cancellable operating lease of the Toronto Corporate office are as follows:

(Thousands of US$)		**2013**		**2012**
2013	$	**-**	$	401
2014		**438**		438
2015		**478**		478
2016		**478**		478
	$	**1,394**	$	1,795

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 December 31, 2013 cannot be predicted with certainty, 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

*(a) **Negotiations between Kyrgyz Republic and Centerra***

The Kyrgyz Republic Parliament passed resolution #2805 on February 21, 2013, which, among other things, recommended that the Kyrgyz Government conduct consultations and negotiations with Centerra to find mutually acceptable solutions with respect to the Kumtor Project and the issues raised in the Parliamentary and State Commission reports. The resolution set a deadline of June 1, 2013 for the Government to return to the Parliament with information on how to implement the Parliament's recommendations in the resolution. The original deadline of June 1, 2013 was extended by resolution #3169-

V for three months, and Parliament set a deadline of September 10, 2013 for the Government to present final agreements incorporating the mutually acceptable solution. Resolution #3169-V also provides that if a mutually acceptable solution has not been agreed to, the Government is instructed to develop and submit a draft law "On Denunciation of the Agreement for the Kumtor Project" for review by the Kyrgyz Republic Parliament.

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

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

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

Following further discussions with representatives of the Kyrgyz government in the fourth quarter of 2013, Centerra announced on December 24, 2013 that it had entered into a non-binding Heads of Agreement ("HOA") with the Kyrgyz Government which superseded the terms of the previously negotiated MOU. The HOA retains most of the material terms of the MOU, including the following:

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

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

- The existing mobile mine equipment at Kumtor, having a value of approximately $200 million, would be held by Centerra and capital leased to the joint venture for 10 years on commercial terms, following which the joint venture would be entitled to purchase such equipment for a dollar.
- Further to the equipment lease arrangement, the dividend distribution adjustment of $100 million (from Kyrgyzaltyn in favour of Centerra) which was in the MOU has been removed.
- Centerra would be entitled to compensation in a fixed amount per year for acting as the manager, which amount will be agreed by the parties and reflected in definitive documents.
- The HOA would resolve, in accordance with the requirements of the laws and agreements of the Kyrgyz Republic, comprehensively and finally, all claims and concerns relating to the Kumtor Project, including but not limited to environmental, technical and land use matters, in accordance with the findings and recommendation of Kyrgyzaltyn’s external legal, financial, environmental and technical experts, including AMEC, which has examined the Kumtor Project’s environmental and technical practices.
- The joint venture would commit to investments in community development projects in an amount equal to two percent of the prior year’s free cash flow (subject to a minimum of $2 million per year)
- The joint venture would commit to increasing local procurement in the Kyrgyz Republic by an aggregate of $100 million over the remaining life of the mine and to increase the number of Kyrgyz nationals in management positions at the joint venture.

- At the end of the current life of mine plan in 2026, Kyrgyzaltyn would have the rights to: (a) increase its ownership interest in the Kumtor Project from 50% to 67% for a price equal to fair market value; and (b) recover the gold contained in the tailings facility for a dollar.
- Kyrgyzaltyn would receive: (a) warrants to acquire six million Centerra shares, with an exercise price of CAD$10.00 per Centerra share, exercisable for two years after the restructuring; and (b) warrants to acquire four million Centerra shares, with an exercise price of CAD$12.00 per Centerra share, exercisable for three years after the restructuring.

On February 6, 2014, after their review of the HOA, the Kyrgyz Parliament adopted a resolution which appears to support the concept of the restructuring described in the HOA but also contains a number of recommendations that are materially inconsistent with the terms of the HOA. Among other things, the resolution calls for further audits of the Kumtor operation and for the Government and the General Prosecutor's Office to continue pursuing claims for environmental and economic damages, which the Company disputes. The Company has not yet received an official copy of the parliamentary resolution.

The Company believes that the 2009 Kumtor Project Agreements and all previous agreements are legal, valid and enforceable obligations. The Kumtor Project Agreements were reviewed and approved by the Government and the Parliament, and were the subject of a positive decision by the Kyrgyz Republic Constitutional Court and a legal opinion by the Kyrgyz Republic Ministry of Justice. Such agreements provide for all disputes relating to the Kumtor project to be resolved by international arbitration, if necessary.

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

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

(b) Environmental Claims

On June 7, 2013 Kumtor Operating Company ("KOC") received four court claims filed by the State Inspectorate Office for Environmental and Technical Safety ("SIETS") with the Bishkek Inter-district court. The SIETS environmental claims sought to enforce the environmental claims issued by SIETS in December 2012, seeking compensation in the aggregate amount of $150 million in relation to (i) placement of waste rock on glaciers; (ii) unpaid use of water from Petrov Lake; (iii) unaccounted industrial and household waste; and (iv) damages caused to land resources (top soil). Each of these claims was dismissed by the Bishkek Inter-District Court and, on appeal, by the Bishkek City Court, on the basis that the arbitration clause in the Restated Investment Agreement requires that all such disputes be resolved through international arbitration. Each of these claims has been appealed by SEITS to the Kyrgyz Republic Supreme Court.

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

On February 21, 2013 the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic ("SAEPF") alleged environmental damages at the Kumtor Project for an amount of approximately $315 million. SAEPF has commenced court proceedings in the Bishkek Inter-District Court, which dismissed the Company's motion to dismiss the claim based on the arbitration provision in the Restated Investment Agreement although the court is still considering other procedural motions argued by the Company.

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

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.

While the Company believes that such claims are exaggerated or without merit, there can be no assurances that these claims will be successfully resolved in favour of the Company or that further claims will not be issued. The inability to successfully resolve matters could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions.

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

Mongolia

Gatsuurt

The Mongolian Water and Forest Law prohibits mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia, where the project is located.

Centerra is 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.

During 2013, the Mongolian Government added seven deposits, including Gatsuurt, to the list of "mineral deposits of strategic importance". Such a designation, which is subject to the approval of the Mongolian Parliament, would have the effect of excluding the Gatsuurt deposit from the application of the Water and Forest Law. If the Mongolian Parliament ultimately approves this designation, it would allow the Government of Mongolia to acquire up to a 34% interest in Gatsuurt. The terms of any such participation would be subject to negotiations with the Mongolian Government.

There can be no assurance, however, that the Water and Forest Law will not have a material impact on Centerra's Mongolian operations. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated by the Parliament of Mongolia as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off approximately $37.0 million related to the investment in Gatsuurt and approximately $39.0 million remaining capitalized for the Boroo mill facility and other surface structures. These amounts represent the capitalized costs at December 31, 2013 associated with its investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

(Expressed in thousands of United States Dollars)

28. Related Party Transactions

a. Kyrgyzaltyn JSC

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

The table below summarizes the management fees paid and accrued by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver 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:

(Thousands of U.S. Dollars)		2013		2012
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$**	**814,416**	$	535,437
Deduct: refinery and financing charges		**(3,472)**		(1,883)
Net sales revenue received from Kyrgyzaltyn	**$**	**810,944**	$	533,554
Included in expenses:				
Management fees to Kyrgyzaltyn	**$**	**602**	$	315
Contracting services		**1,762**		1,871
Expenses paid to Kyrgyzaltyn	**$**	**2,364**	$	2,186

Dividend:

(Thousands of U.S. Dollars)		2013		2012
Dividends declared to Kyrgyzaltyn	**$**	**11,915**	$	9,548
Withholding taxes		**(599)**		(463)
Net dividends declared to Kyrgyzaltyn		**11,316**		9,085
Net dividends transferred to restricted cash		**(5,284)**		(5,949)
Net dividends paid to Kyrgyzaltyn	**$**	**6,032**	$	3,136

(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)		**2013**		**2012**
Amounts receivable (note 8)		**69,382**		48,325
Dividend payable (net of withholding taxes)	**$**	**11,233**	$	5,949
Net unrealized foreign exchange gain		**(597)**		-
		10,636		5,949
Amount payable		**157**		-
Total related party liabilities	**$**	**10,793**	$	5,949

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.

b. Transactions with Directors and Key Management

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings were in the form of payments for services rendered in their capacity as director (director fees, including share-based payments) and as employees of the Company (salaries, benefits and share-based payments).

Key management personnel are defined as the executive officers of the Company including the President and Chief Executive Officer, Vice President and Chief Financial Officer, Vice President and Chief Operating Officer, Vice President Global Exploration, General Counsel and Corporate Secretary, Vice President Business Development and Vice President Human Resources.

During 2013 and 2012, remuneration to directors and key management personnel were as follows:

(Expressed in thousands of United States Dollars)

Compensation of Directors

(Thousands of U.S. Dollars)		2013		2012
Fees earned and other compensation	**$**	**890**	$	1,027
Share-based compensation expense (recovery)		**(1,560)**		(2,880)
Total recovered	**$**	**(670)**	$	(1,853)

Fees earned and other compensation
These amounts represent fees earned by the non-executive chairman and the non-executive directors during the financial year.

Share-based compensation
A portion of the directors' compensation is in the form of participation in the Company's share-based payment plans (Deferred Share Unit plan and Restricted Share Unit plan) according to the election of the directors.

Compensation of Key Management Personnel

Compensation of key management personnel comprised:

(Thousands of U.S. Dollars)		2013		2012
Salaries and benefits	**$**	**5,518**	$	5,236
Share-based compensation expense (recovery)		**1,998**		(724)
Total expensed	**$**	**7,516**	$	4,512

Salaries and benefits
These amounts represent salary, supplementary executive retirement plan contributions, and benefits earned during the year, plus cash bonuses awarded for the year.

Share-based compensation
A portion of the senior management's compensation is in the form of participation in the Company's share-based payment plans (Stock Option plan and Performance Share Unit plan).

29. Capital Management

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations, continue the development and exploration of its mineral properties, to provide returns for shareholders and benefits for other stakeholders and to pursue and support growth opportunities. The overall objectives for managing capital remained unchanged in 2013 from the prior comparative period.

(Expressed in thousands of United States Dollars)

The Company manages its capital structure and makes adjustments in light of changes in its economic and operating environment and the risk characteristics of the Company's assets. For effective capital management, the Company implemented planning, budgeting and forecasting processes to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there is sufficient credit facility to meet its short-term business operating and financing requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents and short term investments.

At December 31, 2013, the Company expects its capital resources and projected future cash flows from operations to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. To secure additional capital to pursue these plans, the Company may attempt to raise additional funds through borrowing and/or the issuance of equity or debt.

The Company's capital structure consists of short-term debt (net of cash and cash equivalents and short-term investments) and shareholders' equity, comprising issued common shares, contributed surplus and retained earnings as shown below:

(Thousands of U.S. Dollars)		2013		2012
				(Restated) (Note 5)
Shareholders' equity	**$**	**1,474,310**	$	1,369,093
Short-term debt		**76,000**		76,000
		1,550,310		1,445,093
Less:				
Cash and cash equivalent		**(343,108)**		(334,115)
Short-term investments		**(158,358)**		(47,984)
Total invested capital	**$**	**1,048,844**	$	1,062,994

30. Financial Instruments

The Company has various financial instruments comprised of cash and cash equivalents, short-term investments, restricted cash, amounts receivables, a reclamation trust fund, short-term debt, dividend payable, revenue-based taxes payable, accounts payable and accrued liabilities.

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. Fair values of identical instruments traded in active markets are determined by reference to the last quoted prices, in the most advantageous active market for that instrument. In the absence of an active market, the Company determines fair values based on quoted prices for instruments with similar characteristics and risk profiles. Fair values of financial instruments determined using valuation models require the use of inputs. In determining those inputs, the Company looks primarily to external, readily observable market inputs, when available, include factors such as interest rate yield curves, currency rates, total gold index returns, share price and historical volatilities, as applicable.

Cash and cash equivalents consist of cash on hand, with financial institutions, invested in term deposits, treasury bills, banker's acceptances and corporate direct credit with original maturities of three months or less. Short-term investments consist of investments in term deposits, treasury bills, banker's acceptances, bearer's deposit notes and corporate direct credit with original maturities of more than three months but less than twelve months.

The fair value of amounts receivable and accounts payable approximates the carrying value due to the short-term nature of the receivables and payables.

The Company has a credit facility available with EBRD whereby borrowings bear interest at a fixed premium over the variable London Interbank Offered Rate ("LIBOR"). The fair value of borrowings under this facility approximate their carrying amount given the floating component of the interest rate.

Classification of the financial assets and liabilities in the statement of financial position were as follows:

(Expressed in thousands of United States Dollars)

December 31, 2013

(Thousands of US$)	Loans and receivables	Other financial liabilities	Assets/liabilities at fair value through earnings
Financial Assets			
Cash and cash equivalents	$ **-**	$ **-**	$ **343,108**
Short-term investments	**-**	**-**	**158,358**
Restricted cash	**-**	**-**	**10,731**
Amounts receivable	**78,707**	**-**	**-**
Reclamation trust fund	**-**	**-**	**13,523**
Long-term receivables	**1,754**	**-**	**-**
	$ **80,461**	$ **-**	$ **525,720**
Financial Liabilities			
Accounts payable and accrued liabilities	$ **-**	$ **30,541**	$ **-**
Short-term debt	**-**	**76,000**	**-**
Dividend payable	**-**	**10,636**	**-**
Revenue-based taxes payable	**-**	**30,742**	**-**
	$ **-**	$ **147,919**	$ **-**

December 31, 2012

(Thousands of US$)	Loans and receivables	Other financial liabilities	Assets/liabilities at fair value through earnings
Financial Assets			
Cash and cash equivalents	$ -	$ -	$ 334,115
Short-term investments	-	-	47,984
Restricted cash	-	-	6,087
Amounts receivable	75,338	-	-
Reclamation trust fund	-	-	11,328
Long-term receivables	263	-	-
	$ 75,601	$ -	$ 399,514
Financial Liabilities			
Accounts payable and accrued liabilities	$ -	$ 58,704	$ -
Borrowings	-	76,000	-
Dividend payable	-	5,949	-
Revenue-based taxes payable	-	18,643	-
	$ -	$ 159,296	$ -

(Expressed in thousands of United States Dollars)

All financial instruments measured at fair value are categorized into one of three hierarchy levels for which the financial instruments must be grouped based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. These two types of inputs create 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, therefore require an entity to develop its own assumptions.

The following table summarizes the fair value measurement by level at December 31, 2013, and December 31, 2012 for assets and liabilities measured at fair value on a recurring basis:

	December 31, 2013		**December 31, 2012**	
(Thousands of US$)	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Financial Assets				
Cash and cash equivalents	$ **343,108**	$ **-**	$ 334,115	$ -
Short-term investments	**158,358**	**-**	47,984	-
Restricted cash	**10,731**	**-**	6,087	-
Reclamation trust fund	**13,523**	**-**	11,328	-
	$ **525,720**	$ **-**	$ 399,514	$ -

31. Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to certain financial risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The Board of Directors has a responsibility to ensure that an adequate financial risk management policy is established and to approve the policy. Financial risk management is carried out by the Company's Treasury department under a policy approved by the Board of Directors. The Treasury department identifies and evaluates financial risks, establishes controls and procedures to ensure financial risks are mitigated in accordance with the approved policy and programs, and risk management activities comply thereto.

The Company's Audit Committee oversees management's compliance with the Company's financial risk management policy, approves financial risk management programs, and receives and reviews reports on management compliance with the policy and programs. The Internal Audit department assists the Audit Committee in undertaking its oversight of financial risk management controls and procedures, the results of which are reported to the Audit Committee.

The types of risk exposure and the way in which such exposures are managed are as follows:

a. Currency Risk

As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the U.S. Dollar. The results of the Company's operations are subject to currency translation risk. The operating results and financial position of the Company are reported in U.S. Dollars in the Company's consolidated financial statements.

The fluctuation of the U.S. dollar in relation to other currencies will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets.

The Company either makes purchases in foreign currencies at the prevailing spot price to fund corporate activities or enters into short-term forward contracts to purchase Canadian dollars or Euros. During the year ended December 31, 2013, total Canadian dollars and Euro purchased were $71.0 million and Euro 31.5 million (2012 - Canadian dollars $76.5 million and Euro 29.0 million), including executed forward contracts of Canadian dollar $0.5 million and Euro 4.0 million (2012 - Canadian dollars $9.0 million and Euro 7.0 million). There were no outstanding Canadian dollars forward contracts and no outstanding Euro contracts outstanding at December 31, 2013 and 2012.

The exposure of the Company's financial assets and liabilities to currency risk is as follows:

(Expressed in thousands of United States Dollars)

December 31, 2013

(Thousands of US$)	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Russian Rubles	European Euro	Turkish Lira	Australian Dollar
Financial Assets							
Cash and cash equivalents	$ **291**	$ **333**	$ **11,752**	$ **280**	$ **1,655**	$ **295**	$ **-**
Restricted cash	**-**	**2**	**10,729**	**-**	**-**	**-**	**-**
Amounts receivable	**275**	**2,876**	**333**	**87**	**-**	**2,272**	**-**
	$ 566	**$ 3,211**	**$ 22,814**	**$ 367**	**$ 1,655**	**$ 2,567**	**$ -**
Financial Liabilities							
Accounts payable and accrued liabilities	$ **9,778**	$ **1,813**	$ **9,191**	$ **160**	$ **615**	$ **231**	$ **52**
Taxes payable	**955**	**1,190**	**-**	**-**	**-**	**77**	**-**
Dividend payable	**-**	**-**	**10,636**	**-**	**-**	**-**	**-**
	$ 10,733	**$ 3,003**	**$ 19,827**	**$ 160**	**$ 615**	**$ 308**	**$ 52**

December 31, 2012

(Thousands of US$)	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Russian Rubles	European Euro	Turkish Lira	Australian Dollar
Financial Assets							
Cash and cash equivalents	$ 157	$ 559	$ 15,545	$ 389	$ 5,398	$ 76	$ -
Restricted cash	148	2	5,937	-	-	-	-
Amounts receivable	261	7,317	216	137	590	54	-
	$ 566	$ 7,878	$ 21,698	$ 526	$ 5,988	$ 130	$ -
Financial Liabilities							
Accounts payable and accrued liabilities	$ 19,956	$ 5,435	$ 12,307	$ 28	$ 106	$ 531	$ 164
Taxes payable	988	4,136	-	-	-	57	-
Dividend payable	-	-	5,949	-	-	-	-
	$ 20,944	$ 9,571	$ 18,256	$ 28	$ 106	$ 588	$ 164

During the year ended December 31, 2013, the Company recognized a loss of $ 2.7 million on foreign exchange (2012– loss of $ 0.1 million).

Based on the above net exposures at December 31, 2013, a 10% depreciation or appreciation of the above currencies against the US dollar, with all other variables held constant would have led to additional income or loss before tax of $ 3.4 million (2012 - $0.8 million) as a result of a change in value of the financial assets and liabilities denominated in those currencies.

b. Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to risk of changes in cash flow as a result of the change in interest rate. The Company's cash and cash equivalents and short-term investments include highly liquid investments that earn interest at market rates. As of December 31, 2013, the majority of the $501.4 million in cash and cash equivalents and short-term investments (2012- $382.1 million) were comprised of interest-bearing assets. Based on amounts as at December 31, 2013, a 100 basis point change in interest rates would change net annual interest income by approximately $5.0 million (2012 - $3.8 million).

In addition, the interest on the $76 million short-term debt includes a variable rate component pegged to the London Interbank Offer Rate, or LIBOR. Based on the amount drawn as at December 31, 2013, a 100 basis point change in LIBOR would change net annual interest expenses by approximately $0.8 million (2012 - $0.8 million).

Although the Company endeavours to maximize the interest income earned on excess funds, the Company's policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid term deposits, treasury bills, banker's acceptances, bearer's deposit notes and corporate direct credit having a single "A" rating or greater.

c. Concentration of Credit Risk

Credit risk is the risk of a financial loss to the Company if a gold sales customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises principally from the Company's receivables from customers and on cash and cash equivalents and short-term investments.

The Company's exposure to credit risk, in respect of gold sales, is influenced mainly by the individual characteristics of each customer. The Company's revenues are directly attributable to sales transactions with three customers. Boroo sells the gold and silver content of its doré to Auramet Trading, LLC or Johnson Matthey Limited. The sales of gold and silver are governed by a Master Purchase Contract with Auramet Trading, LLC, and a Gold Doré Refining Agreement with Johnson Matthey Limited's North American precious metals division. Kyrgyzaltyn LLC, a state-owned company that operates a refinery in the Kyrgyz Republic, is Kumtor's sole customer and is a shareholder of Centerra.

To partially mitigate exposure to potential credit risk related to Kumtor sales, the Company has an agreement in place whereby Kyrgyzaltyn has pledged 2,850,000 of Centerra common shares it owns as security against unsettled gold shipments, in the event of default on payment (note

28).

Based on movements of Centerra's share price and the value of individual or unsettled gold shipments over the course of 2013, the maximum exposure during the year, reflecting the shortfall in the value of the security as compared to the value of any unsettled shipments, was approximately $70.1 million (2012- $56.7 million)

The Company manages counterparty credit risk, in respect of short-term investments, by maintaining bank accounts with highly-rated U.S. and Canadian banks and investing only in highly-rated Canadian and U.S. Government bills, term deposits or banker's acceptances with highly-rated financial institutions and corporate direct credit issues that can be promptly liquidated.

d. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages its liquidity risk by ensuring that there is sufficient capital to meet short and long-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents and short-term investments. In addition, $74 million of the credit facility financing remains available. The Company believes that these sources will be sufficient to cover its anticipated short and long-term cash requirements.

At December 31, 2013, the Company had cash and cash equivalents and short-term investments totaling $501.4 million (2012- $382.1 million). A maturity analysis of the Company's financial liabilities, contractual obligations, other fixed operating and capital commitments is set out below:

(Expressed in thousands of United States Dollars)

Year ended December 31, 2013

(Millions of US$)	Total	Due in Less than One year	Due in 1 to 3 Years	Due in 4 to 5 Years	Due in After 5 Years
Account payable and accrued liabilities	**$ 32.1**	**$ 32.1**	**$ -**	**$ -**	**$ -**
Short-term debt	**77.0**	**77.0**	**-**	**-**	**-**
Reclamation trust deed	**47.8**	**4.2**	**13.5**	**9.1**	**21.0**
Capital equipment	**1.8**	**1.8**	**-**	**-**	**-**
Operation supplies	**57.6**	**57.6**	**-**	**-**	**-**
Lease of premises (corporate offices)	**1.4**	**0.4**	**1.0**	**-**	**-**
Total contractual obligations	**$ 217.7**	**$ 173.1**	**$ 14.5**	**$ 9.1**	**$ 21.0**

Year ended December 31, 2012

(Millions of US$)	Total	Due in Less than One year	Due in 1 to 3 Years	Due in 4 to 5 Years	Due in After 5 Years
Account payable and accrued liabilities	$ 63.9	$ 63.9	$ -	$ -	$ -
Short-term debt	77.0	77.0	-	-	-
Reclamation trust deed	25.7	2.2	7.4	5.0	11.1
Capital equipment	28.9	28.9	-	-	-
Operation supplies	69.4	69.4	-	-	-
Lease of premises(corporate offices)	1.8	0.4	0.9	0.5	-
Total contractual obligations	$ 266.7	$ 241.8	$ 8.3	$ 5.5	$ 11.1

The Company believes it has sufficient cash and cash equivalents and liquid short-term investments to meet its current obligations.

e. Commodity Price Risk

The value of the Company's revenues and mineral resource properties is related to the price of gold, and the outlook for this mineral. Adverse changes in the price of certain raw materials can also significantly affect the Company's cash flows.

Gold prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank reserves management, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative or hedging activities, macro-economic variables, and certain other factors related specifically to gold.

(Expressed in thousands of United States Dollars)

The profitability of the Company's operations is highly correlated to the market price of gold. To the extent that the price of gold increases over time, the fair value of the Company's mineral assets increases and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value.

To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the Company's profitability and cash flows may be impacted.

The Company does not enter into any hedging arrangements to mitigate commodity price risk.

32. Supplemental cash flow disclosure

a. Changes in operating working capital

(Thousands of U.S. Dollars)		2013		2012
Increase in amounts receivable	**$**	**(3,369)**	$	(18,589)
(Increase) decrease in inventory- ore and metal		**(82,225)**		6,673
Decrease (increase)in inventory- supplies		**1,501**		(19,294)
Decrease (increase) in prepaid expenses		**20,126**		(22,481)
Increase in accounts payable and accrued liabilities		**(31,831)**		(13,158)
Increase (decrease) in revenue-based tax payable		**12,099**		3,465
Reduction (increase) in depreciation and amortization included in inventory (note 11)		**78,503**		37,125
Reduction (increase) in accruals included in additions to PP&E		**9,835**		10,138
De-recognition of underground inventory- supplies		**-**		(13,962)
Revenue - based tax (utilized) advanced		**(20,000)**		30,000
(Decrease) increase in other taxes payable		**(102)**		212
	$	**(15,463)**	$	129

(Expressed in thousands of United States Dollars)

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

(Thousands of U.S. Dollars)		2013		2012
Additions to PP&E during the year ended December 31, (note 11)	**$**	**(381,849)**	$	(462,872)
Impact of revisions to asset retirement obligation included in PP&E (note 17)		**5,215**		(1,129)
Depreciation and amortization included in additions to PP&E (note 11)		**77,787**		69,045
(Decrease) increase in accruals related to additions to PP&E		**(9,835)**		(10,138)
	$	**(308,682)**	$	(405,094)

33. Subsequent event

On February 19, 2014, the Company announced that its Board of Directors approved a quarterly dividend of Cdn $0.04 per common share. The dividend is payable March 20, 2014 to shareholders of record on March 6, 2014.

34. Segmented Information

In accordance with IFRS 8, *Operating Segments*, the Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The Chief Executive Officer has authority for resource allocation and assessment of the Company's performance and is therefore the CODM. Information presented in the table below is shown at the level at which it is reviewed by the CODM in his decision making process.

The Kyrgyz Republic segment includes the operations of the Kumtor Gold project and the Mongolian segment involves the operations of the Boroo Gold project, activities related to the Gatsuurt project and local exploration activities. The Corporate and other segment include the head office located in Toronto, Öksüt Turkish project and other international exploration projects. The segments' accounting policies are the same as those described in the summary of significant accounting policies in the Company's 2013 annual financial statements except that inter-company loan interest income and expenses, which eliminate on consolidation, are presented in the individual operating segments where they are generated when determining earnings or loss from operations.

Geographic Segmentation of Revenue

The Company's only product is gold doré, produced from mines located in the Kyrgyz Republic and Mongolia. All production from the Kumtor Gold project is sold to the Kyrgyzaltyn refinery in the Kyrgyz Republic while production from the Boroo Gold project is sold to Auramet Trading, LLC or Johnson Matthey Limited; the latter also refines the gold for Boroo at its refinery located in Ontario, Canada.

The following table reconciles segment operating profit per the reportable segment information to operating profit per the consolidated statements of earnings (loss) and comprehensive income (loss).

(Expressed in thousands of United States Dollars)

Year ended December 31, 2013

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ **811.0**	$ **133.4**	$ **-**	$ **944.4**
Cost of sales	**473.0**	**86.2**	**-**	**559.2**
Regional office administration	**18.1**	**5.7**	**-**	**23.8**
Earnings from mine operations	**319.9**	**41.5**	**-**	**361.4**
Revenue based taxes	**113.5**	**-**	**-**	**113.5**
Other operating expenses	**7.8**	**0.5**	**-**	**8.3**
Exploration and business development	**6.4**	**5.5**	**17.7**	**29.6**
Corporate administration	**0.1**	**0.4**	**30.1**	**30.6**
Earnings (loss) from operations	**192.1**	**35.1**	**(47.8)**	**179.4**
Other (income) expenses, net				**3.6**
Finance costs				**5.0**
Earnings before income tax				**170.8**
Income tax expense				**13.1**
Net earnings and comprehensive income				**$ 157.7**
Capital expenditure for the year	**$ 367.4**	**$ 8.6**	**$ 0.6**	**$ 376.6**
Goodwill	**$ 129.7**	**$ -**	**$ -**	**$ 129.7**
Assets (excluding Goodwill)	**$ 919.0**	**$ 175.3**	**$ 463.7**	**$ 1,558.0**
Total liabilities	**$ 87.0**	**$ 30.5**	**$ 95.9**	**$ 213.4**

Year ended December 31, 2012

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total Restated
Revenue from Gold Sales	$ 533.5	$ 127.2	$ -	$ 660.7
Cost of sales	306.9	76.4	-	383.3
Abnormal mining costs	24.8	-	-	24.8
Mine standby costs	4.6	-	-	4.6
Regional office administration	15.5	5.5	-	21.0
Earnings from mine operations	181.7	45.3	-	227.0
Revenue based taxes	74.7	-	-	74.7
Other operating expenses	31.8	2.5	-	34.3
Loss on de-recognition of underground assets	180.7	-	-	180.7
Exploration and business development	11.8	10.0	16.7	38.5
Corporate administration	1.7	0.2	25.1	27.0
Earnings (loss) from operations	(119.0)	32.6	(41.8)	(128.2)
Other (income) expenses, net				(0.2)
Finance costs				4.0
Loss before income tax				(132.0)
Income tax expense				11.7
Net loss and comprehensive loss				$ (143.7)
Capital expenditure for the year-Restated	$ 452.8	$ 10.7	$ 0.5	$ 464.0
Goodwill	$ 129.7	$ -	$ -	$ 129.7
Assets (excluding Goodwill)-Restated	$ 937.8	$ 219.3	$ 307.6	$ 1,464.7
Total liabilities	$ 95.9	$ 34.9	$ 94.5	$ 225.3