Centerra Gold Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

(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 controls on financial reporting and disclosure controls have been documented, evaluated and tested in a manner 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 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 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 based on criteria established in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Original signed by:
Scott G. Perry
Chief Executive Officer

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

February 24, 2016

INDEPENDENT AUDITORS' 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, 2015 and December 31, 2014, the consolidated statements of earnings (loss) and comprehensive income (loss), shareholders' equity and cash flows for the years then ended, 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, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Original Signed by:

KPMG LLP
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 24, 2016

Centerra Gold Inc.
Consolidated Statements of Financial Position

(Expressed in Thousands of United States Dollars)	Notes	December 31, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		**$ 360,613**	$ 300,514
Short-term investments		**181,613**	261,503
Amounts receivable	**8**	**28,781**	66,214
Inventories	**9**	**347,011**	408,050
Prepaid expenses	**10**	**12,880**	12,888
		930,898	1,049,169
Property, plant and equipment	**11**	**693,016**	524,699
Goodwill	**12**	**-**	18,705
Restricted cash	**7**	**9,989**	12,437
Other assets	**13**	**26,681**	24,072
		729,686	579,913
Total assets		**$ 1,660,584**	$ 1,629,082
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	**14**	**$ 75,292**	$ 45,883
Short-term debt	**15**	**76,000**	76,000
Revenue-based taxes payable	**16(a)**	**9,152**	24,605
Taxes payable	**16(d)**	**1,286**	1,515
Current portion of provision for reclamation	**17**	**1,062**	2,598
		162,792	150,601
Dividend payable to related party	**27(a)**	**9,330**	12,254
Provision for reclamation	**17**	**65,087**	65,318
Deferred income tax liability	**16(c)**	**2,524**	2,266
		76,941	79,838
Shareholders' equity	**25**		
Share capital		**668,705**	660,554
Contributed surplus		**24,153**	22,556
Accumulated other comprehensive income		**220**	-
Retained earnings		**727,773**	715,533
		1,420,851	1,398,643
Total liabilities and Shareholders' equity		**$ 1,660,584**	$ 1,629,082

Commitments and contingencies (note 26)
Subsequent events (note 15 and 32)
The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board of Directors

Original signed by:

Stephen Lang
Chairman

Richard Connor
Director

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

For the years ended December 31,			2015		2014
(Expressed in Thousands of United States Dollars)					
(except per share amounts)					
	Notes				
Revenue from gold sales		$	**623,950**	$	763,345
Cost of sales	**18**		**384,459**		502,577
Standby costs			**5,684**		2,385
Regional office administration			**19,068**		25,189
Earnings from mine operations			**214,739**		233,194
Revenue-based taxes	**16(a)**		**84,633**		97,243
Other operating expenses	**19**		**1,870**		3,832
Pre-development project costs	**20**		**13,252**		6,022
Impairment of goodwill	**12**		**18,705**		111,000
Exploration and business development	**21**		**10,619**		15,724
Corporate administration	**22**		**35,781**		34,759
Earnings (loss) from operations			**49,879**		(35,386)
Other expenses, net	**23**		**3,375**		1,184
Finance costs	**24**		**4,426**		4,962
Earnings (loss) before income tax			**42,078**		(41,532)
Income tax expense	**16(b)**		**449**		2,577
Net earnings (loss)		$	**41,629**	$	(44,109)
Other Comprehensive Income (Loss)					
Items that may be subsequently reclassified to earnings:					
Net gain on translation of foreign operation			**220**		**-**
Other comprehensive income			**220**		**-**
Total comprehensive income (loss)		$	**41,849**	$	(44,109)
Basic earnings (loss) per common share	25(b)	$	**0.18**	$	(0.19)
Diluted earnings (loss) per common share	25(b)	$	**0.18**	$	(0.19)

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,		2015	2014
(Expressed in Thousands of United States Dollars)	**Notes**		
Operating activities			
Net earnings (loss)		**$ 41,629**	$ (44,109)
Items not requiring (providing) cash:			
Depreciation, depletion and amortization	**11**	**205,390**	284,281
Finance costs	**24**	**4,426**	4,962
Loss on disposal of equipment		**1,972**	1,138
Compensation expense on stock options	**25(d)**	**2,611**	2,469
Other share based compensation expense		**828**	7,539
Impairment of goodwill	**12**	**18,705**	111,000
Impairment of inventory	**9**	**27,216**	-
Income tax expense	**16(b)**	**449**	2,577
Other operating items		**(861)**	(548)
		302,365	369,309
Change in operating working capital	**31(a)**	**32,532**	(3,101)
Change in long-term inventory		**349**	4,880
Prepaid revenue-based taxes utilized	**16(a)**	**-**	10,000
Payments toward provision for reclamation	**17**	**(1,004)**	(1,085)
Income taxes paid		**(676)**	(3,608)
Cash provided by operations		**333,566**	376,395
Investing activities			
Additions to property, plant and equipment	**31(b)**	**(243,767)**	(276,282)
Net redemption (purchase) of short-term investments		**79,890**	(103,145)
Purchase of interest in Greenstone Partnership	**11**	**(75,718)**	-
Decrease (increase) in restricted cash		**2,448**	(1,706)
Increase in long-term other assets		**(2,958)**	(3,447)
Cash used in investing		**(240,105)**	(384,580)
Financing activities			
Dividends paid - declared in period		**(29,389)**	(31,499)
Dividends paid - from trust account		**(2,936)**	-
Payment of interest and borrowing costs		**(2,974)**	(2,910)
Proceeds from common shares issued for options exercised		**1,937**	-
Cash used in financing		**(33,362)**	(34,409)
Increase (decrease) in cash during the year		**60,099**	(42,594)
Cash and cash equivalents at beginning of the year		**300,514**	343,108
Cash and cash equivalents at end of the year		**$ 360,613**	$ 300,514
Cash and cash equivalents consist of:			
Cash		**$ 122,581**	$ 85,097
Cash equivalents		**238,032**	215,417
		$ 360,613	$ 300,514

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**	**Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total**
Balance at January 1, 2014	236,390,219	$ 660,486	$ 20,087	$ -	$ 793,737	$ 1,474,310
Share-based compensation expense	-	-	2,469	-	-	2,469
Shares issued on redemption of restricted share units	13,739	68	-	-	-	68
Dividends declared (note 25(c))	-	-	-	-	(34,095)	(34,095)
Net loss for the year	-	-	-	-	(44,109)	(44,109)
Balance at December 31, 2014	236,403,958	$ 660,554	$ 22,556	$ -	$ 715,533	$ 1,398,643
Share-based compensation expense	**-**	**-**	**2,611**	**-**	**-**	**2,611**
Shares issued on exercise of stock options	**461,697**	**2,951**	**(1,014)**	**-**	**-**	**1,937**
Shares issued on redemption of restricted share units	**61,077**	**340**	**-**	**-**	**-**	**340**
Purchase of Öksüt royalty (note 25(a))	**962,542**	**4,860**	**-**	**-**	**-**	**4,860**
Dividends declared (note 25(c))	**-**	**-**	**-**	**-**	**(29,389)**	**(29,389)**
Foreign currency translation	**-**	**-**	**-**	**220**	**-**	**220**
Net earnings for the year	**-**	**-**	**-**	**-**	**41,629**	**41,629**
Balance at December 31, 2015	**237,889,274**	$ **668,705**	$ **24,153**	$ **220**	$ **727,773**	$ **1,420,851**

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

1. Nature of operations

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 primarily in the Kyrgyz Republic, Mongolia, Turkey and Canada.

2. Basis of presentation

The 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 24, 2016.

These consolidated financial statements have been prepared under the historical cost basis, except for cash and cash equivalents, short-term investments, reclamation trust fund and restricted cash (measured at fair value), inventories (measured at the lower of cost or net realizable value ("NRV")) and liabilities for cash settled share-based compensation (measured at fair 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.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Centerra's significant subsidiaries are as follows:

Entity	Property - Location	Stage of Mine	2015	2014
Kumtor Gold Company ("KGC")	Kumtor Mine - Kyrgyz Republic	Operation	100%	100%
Boroo Gold LLC ("BGC")	Boroo Mine - Mongolia	Care and Maintenance	100%	100%
Centerra Gold Mongolia LLC	Gatsuurt Project - Mongolia	Development	100%	100%
Centerra Gold Mongolia LLC	Altan Tsagaan Ovoo ("ATO") Property - Mongolia	Exploration	100%	100%
Öksüt Madencilik A.S. ("OMAS")	Öksüt Project - Turkey	Development	100%	100%
Greenstone Gold Mines LP ("Greenstone Partnership")	Greenstone Gold Property - Canada	Pre-development	50%	0%

As at December 31, 2015, the Company has also entered into agreements to earn an interest in joint venture exploration properties located in Portugal, Canada, United States of America, Mexico and Nicaragua.

b. Foreign currency

The functional currency of the Company and its subsidiaries is the U.S. dollar, which is also the presentation currency of the consolidated financial statements. The functional and reporting currency of the Greenstone Partnership is the Canadian dollar ("Cdn$"), which results in translation gains (losses) being recorded as part of Other Comprehensive Income in the Statements of Earnings (Loss) and Comprehensive Income (Loss) ("Statements of Earnings").

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. 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, 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 NRV, 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 are 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 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. NRV 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 approximates 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.

Major overhaul expenditures and the cost of replacement of a component of plant and mobile equipment are capitalized and depreciated 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.

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.

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 the Statements of Earnings 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 and board of directors 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, and approval is received from the Board of Directors, further expenditures are capitalized as development costs.

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

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 expenditures are accumulated separately for each area of interest for which economically recoverable mineral reserves and resources have been identified.

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

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

iv. *Mine properties*

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

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 capitalized and then depleted 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 periods 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:

- it is probable that the future economic benefit associated with the stripping activity will flow to the Company;

- the Company can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably by the Company.

Stripping activity assets are depleted 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.

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.

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.

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. In addition, goodwill is tested for impairment annually on September 1. 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 through the analysis of gold forward prices and by considering the average of the most recent market commodity price forecasts consensus from a number of recognized financial analysts. These assessments can differ from current price levels and are updated periodically.

The discount rates applied to the future cash flow forecasts represent a real after tax discount rate based on the Company's estimated weighted-average cost of capital adjusted for the risks specific to the CGU. 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 the Statement of Earnings 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 Company, 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.

Asset retirement and reclamation obligations relating to operating mines and development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties. Changes to the obligations which may arise as a result of changes in discount rates and timing or amounts of the costs to be incurred are also accounted for as changes in the carrying amounts of related mining properties, except where a reduction in the obligation is greater than the amount capitalized, in which case the capitalized costs are reduced to nil and the remaining adjustment is included in production costs in the Statements of Earnings. Asset retirement and reclamation obligations related to inactive and closed mines are included in production costs in the Statements of Earnings on initial recognition and subsequently when remeasured.

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, 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.

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 four share-based compensation plans: the Stock Option plan, Performance Share Unit plan, Deferred Share Unit plan, and Restricted Share Unit plan.

i. 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.

ii. Performance Share Unit plan

Units under Centerra's Performance Share Unit plan, performance share units can be granted to 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 are accounted for under the liability method using the Monte Carlo simulated option pricing model and vest 50% at the end of the year after grant and the remaining 50% the following year. 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. The Monte Carlo simulated option pricing model requires the use of subjective assumptions, including expected stock-price volatility, risk-free rate of return and forfeiture rate. Historical data is considered in setting the assumptions.

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 be paid out may be higher or lower than the number of units originally granted to a participant. The adjustment factor is 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 fair value of the fully vested units is determined using the sixty-one trading days volume weighted average share price.

iii. Deferred Share Unit plan

Centerra has a Deferred Share Unit plan for directors of the Company to receive all or a portion of their annual retainer as deferred share units. Deferred share units are settled in cash and are accounted for under the liability method. The deferred share units cannot be converted to shares by the unit holder or by the Company. 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, being no later than December 31 of the calendar year immediately following the calendar year of termination of service, is recorded as a reduction of the accrued obligation.

iv. Restricted Share Unit plan

Centerra has 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 share units. Restricted share units can be settled in cash or equity at the option of the holder (the plan reserves 1,000,000 shares for issuance). 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 restricted share unit. 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 or common shares issued on exercise of these restricted share units is recorded as a reduction of the accrued obligation.

When dividends are paid, each Performance Share Unit plan, Deferred Share Unit plan, and Restricted Share Unit plan participant is allocated additional units equal in value to the dividend paid per common share equal to the number of units held by the participant. For performance share units, the number of units issued is based on the sixty-one trading days volume weighted average share price on the date of the dividend.

p. Financial instruments

Financial assets

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.

i. Financial assets recorded at fair value through profit or loss

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

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.

ii. Loans and receivables

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 carrying values of amounts receivable and long-term receivables approximate their fair values.

Financial liabilities

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.

i. 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. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in the Statements of Earnings.

The Company's liability for share-based compensation is classified as financial liabilities at fair value through profit or 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" contracts 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 have not been designated as hedges for accounting purpose. The contracts are recorded at fair value at the reporting date with the resulting gain or loss recognized in the Statements of Earnings.

ii. 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 ("Statement of Financial Position").

The Company's trade creditors and accruals, dividend payable, revenue-based taxes payable and short-term debt are classified as 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.

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 consolidated 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 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 FVLCD.

Expected gold production levels, which comprise proven and probable reserves and an estimated recoverable amount 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 for each assessment. 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.

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. See note 12 for additional information on the basis for management's estimates.

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 Statements of Financial Position. NRV tests are performed at each reporting period based on the estimated future sales price of the gold doré, based on prevailing 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.

iii. Asset retirement obligations

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 (note 17). 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 depleted and accreted over the life of the mine.

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.

v. Share-based compensation

Cash-settled share-based payments are measured at fair value at each reporting period, while equity-settled share-based payments are measured at grant date. 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' performance.

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.

vi. Depreciation, depletion and amortization of property plant and equipment

All mining assets (except for mobile equipment) are depleted 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 reserves 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 depleted 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*. The estimation of ore reserves requires judgment to interpret available geological data, 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 revised.

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

vii. Litigation and contingency

On an ongoing basis the Company is subject to various claims and other legal disputes described in note 26, 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:

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* ("IFRS 11"), to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3, *Business Combinations*. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company has assessed the impact of adopting these amendments and determined it will not have a material impact on the Company's consolidated financial statements upon adoption.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Company has not adopted IFRS 9 in its financial statements for the current period, but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments at the date of adoption.

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016, with earlier application permitted. The Company will adopt the required amendments to IAS 1 in its consolidated financial statements for the year ended December 31, 2016.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

6. Formation of 50/50 partnership with Premier Gold Mines Ltd.

On March 9, 2015 the Company formed a 50/50 partnership with Premier Gold Mines Hardrock Inc., a subsidiary of Premier Gold Mines Limited ("Premier"). The purpose of the partnership is the development of the Greenstone Gold Property, including the Hardrock Gold Project located in the Geraldton-Beardmore Greenstone belt in Ontario, Canada. Effective July 20, 2015, the name of the partnership was changed from TCP Limited Partnership Corporation to Greenstone Partnership.

The Company made an initial cash contribution to the Greenstone Partnership in the amount of $67.4 million (Cdn$85 million) for its 50% limited partner interest. Premier contributed all property, assets and rights it held in respect of the Greenstone Gold Property and the right to capital distributions (as described below), in consideration for its 50% interest in the partnership. In accordance with their contractual arrangements with the Company, Greenstone Partnership subsequently distributed Cdn$85 million to Premier as a capital distribution.

As part of the implementation agreement, an additional contribution of up to Cdn$30 million was payable to the Greenstone Partnership by the Company, contingent on the results of an updated mineral resources study. Upon completion of this mineral resources study in September 2015, the Company contributed $8.3 million (Cdn$11 million) to the Greenstone Partnership. Consistent with the initial contribution and implementation agreement, the Greenstone Partnership subsequently distributed the Cdn$11 million to Premier.

The Company also agreed to commit up to an additional Cdn$185 million to fund the Greenstone Project, subject to certain feasibility study results and project advancement criteria, after which both partners will contribute on a 50/50 basis. The Company and Premier have formed a joint board of directors to oversee future exploration, development and operations by the partnership.

As the Company and Premier have rights to the assets and obligations for the liabilities of the Greenstone Partnership, the partnership was determined to be a joint operation under IFRS 11. The Company has recorded in its Statements of Financial Position and Statements of Earnings its interest in the assets, liabilities, revenues and expenses of the partnership in accordance with the Company's rights and obligations prescribed by the terms of the implementation agreement. For the year ended December 31, 2015 the Company recognized, in accordance with its accounting policy, its 50% interest and the 50% share paid on behalf of Premier in the project spending totalling $17.3 million. Transaction costs of $1.4 million associated with the acquisition were reflected as business development expenses in the Statement of Earnings for the year ended December 31, 2015 (note 21).

(Expressed in thousands of United States Dollars, except where otherwise indicated)

7. Restricted cash

		2015		2014
Dividend trust account (a)	**$**	**9,366**	$	12,437
Öksüt Project (b)		**623**		-
Total	**$**	**9,989**	$	12,437

(a) The Company's dividend trust account relates to dividends payable to Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a state-owned company that operates a refinery in the Kyrgyz Republic, which are held in trust as a result of various court proceedings (note 26 – "Corporate").

As a result of a court decision in September 2015, Centerra released Cdn$13.4 million to Kyrgyzaltyn (equivalent of $10.1 million), representing dividends held in trust and interest earned on these funds of Cdn$0.3 million. In October 2015, Centerra received an Ontario court order resulting from an action taken against the Kyrgyz Republic, which once again restricted Centerra from paying future dividends to Kyrgyzaltyn (note 26 - the "Enforcement Notice by Entes"). The order does not set a cap for the dividends to be held in trust, and accordingly all future dividends will be held in trust going forward.

As at December 31, 2015, dividends held in trust totalled $9.4 million (Cdn$13.0 million). This balance included $0.1 million of interest earned on the funds while in the trust account. At December 31, 2014, dividends held in trust totalled $12.4 million (Cdn$14.2 million), including $0.1 million of interest.

(b) In 2015, OMAS signed an agreement with a supplier to provide electrical power to the Öksüt Project. As part of the agreement, the Company was required to deposit $0.6 million in a restricted bank account, which the supplier has the right to claim in the event of a breach of contract by OMAS.

8. Amounts receivable

		2015		2014
Gold sales receivable from related party (note 27)	$	**25,725**	$	62,143
Other receivables		**3,056**		4,071
	$	**28,781**	$	66,214

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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

		2015		2014
Less than one month	$	**26,481**	$	63,372
One to three months		**860**		-
Three to six months		**302**		1,044
Over six months		**1,138**		1,798
	$	**28,781**	$	66,214

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

9. Inventories

		2015		2014
Stockpiles of ore	**$**	**144,758**	$	200,751
Gold in-circuit		**23,155**		24,725
Heap leach in circuit		**226**		3,393
Gold doré		**5,632**		5,512
		173,771		234,381
Supplies		**173,240**		174,018
Total Inventories (net of provisions)		**347,011**		408,399
Less: Long-term inventory (heap leach gold inventories - note 13)		**-**		(349)
Total Inventories-current portion	**$**	**347,011**	$	408,050

The amount of inventories recognized as an expense during the year ended December 31, 2015, was $356.5 million (year ended December 31, 2014 - $500.7 million) and is included in cost of sales. As at December 31, 2015, the net realizable value of gold inventories (stockpiles) was below carrying value, resulting in a $27.2 million write-down of inventory (December 31, 2014 – no write-down was charged to cost of sales).

The provision for mine supplies obsolescence was increased at December 31, 2015 by $1.7 million totalling $6.9 million (December 31, 2014 – increase of $1.3 million, totalling $5.1 million). The increase in the provision was charged to cost of sales, as disclosed in note 18. The table below summarizes inventories adjusted for the provision for obsolescence:

		2015		2014
Total Inventories	$	**353,878**	$	413,537
Less: Provisions for supplies obsolescence		**(6,867)**		(5,138)
Total Inventories (net of provisions)		**347,011**		408,399
Less: Long-term inventory (heap leach stockpiles)		**-**		(349)
Total Inventories - current portion	$	**347,011**	$	408,050

(Expressed in thousands of United States Dollars, except where otherwise indicated)

10. Prepaid expenses

		2015		2014
Insurance	$	**4,261**	$	4,734
Rent		**195**		369
Deposits for consumable supplies		**4,657**		5,355
Advances for project development		**1,453**		-
Other		**2,314**		2,430
Total	**$**	**12,880**	$	12,888

11. Property, plant and equipment

The following is a summary of the carrying value of property, plant and equipment ("PP&E"):

	Buildings, Plant and Equipment	Mineral Properties	Capitalized Stripping Costs	Mobile Equipment	Construction In Progress	Total
Cost						
January 1, 2014	$ 392,437	$ 196,939	$ 646,536	$ 465,361	$ 51,879	$ 1,753,152
Additions	146	7,325	261,078	31	89,935	358,515
Disposals	(3,070)	-	-	(53,371)	-	(56,441)
Reclassification	18,359	4,667	-	46,197	(69,223)	-
Balance December 31, 2014	**$ 407,872**	**$ 208,931**	**$ 907,614**	**$ 458,218**	**$ 72,591**	**$ 2,055,226**
Additions	687	14,958	210,553	57	72,150	298,405
Acquisition of interest in Greenstone Partnership (note 6)	65	75,653	-	-	-	75,718
Disposals	(14,544)	(11,652)	-	(44,272)	(200)	(70,668)
Reclassification	51,900	1,767	-	41,066	(94,733)	-
Balance December 31, 2015	**$ 445,980**	**$ 289,657**	**$ 1,118,167**	**$ 455,069**	**$ 49,808**	**$ 2,358,681**
Accumulated depreciation						
January 1, 2014	$ 247,110	$ 147,648	$ 550,147	$ 269,177	$ -	$ 1,214,082
Charge for the year	17,665	9,172	245,639	99,269	-	371,745
Disposals	(2,536)	-	-	(52,764)	-	(55,300)
Balance December 31, 2014	**$ 262,239**	**$ 156,820**	**$ 795,786**	**$ 315,682**	**$ -**	**$ 1,530,527**
Charge for the year	16,661	8,052	109,437	69,684	-	203,834
Disposals	(12,852)	(11,648)	-	(44,196)	-	(68,696)
Balance December 31, 2015	**$ 266,048**	**$ 153,224**	**$ 905,223**	**$ 341,170**	**$ -**	**$ 1,665,665**
Net book value						
Balance December 31, 2014	$ 145,633	$ 52,111	$ 111,828	$ 142,536	$ 72,591	$ 524,699
Balance December 31, 2015	**$ 179,932**	**$ 136,433**	**$ 212,944**	**$ 113,899**	**$ 49,808**	**$ 693,016**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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

		2015		**2014**
Amount recorded in cost of sales (note 18)	**$**	**203,598**	$	282,603
Amount recorded in corporate administration (note 22)		**454**		372
Amount recorded in standby costs		**1,338**		1,306
Total included in Statement of Earnings		**205,390**		284,281
Inventories movement (note 31(a))		**(52,693)**		13,717
Amount capitalized in PP&E		**51,137**		73,747
Depreciation, depletion and amortization charge for the year	**$**	**203,834**	$	371,745

12. Goodwill

The Company has two CGUs, one in the Kyrgyz Republic and one in Mongolia, of which only the Kyrgyz Republic CGU has been allocated goodwill. The carrying value of goodwill for the Kyrgyz Republic, prior to the September 1, 2015 impairment test (discussed below), was $18.7 million. In the third quarter of 2015, an impairment charge of $18.7 million was recognized in the Statements of Earnings.

Impairment testing:

The net asset value ("NAV") of the Kyrgyz Republic 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 on an 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 resulting valuation model includes the cash flows management expects to generate over the mine's life, using various business and economic assumptions.

In accordance with its accounting policy (note 3), the Company reviews and tests the carrying amounts of goodwill on September 1 of each year and when an indicator of impairment is considered to exist.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Impairment test – December 31, 2014
At December 31, 2014, the Company determined that the reserve reduction at the Kumtor mine was an indicator of impairment, which resulted in an impairment test and subsequent goodwill write-down of $111.0 million

Impairment test – September 1, 2015
The annual discounted cash flow analysis conducted on September 1, 2015 concluded that the recoverable amount of the Kyrgyz Republic CGU using the latest LOM model was $815.0 million, which was lower than the carrying value of $833.7 million. This resulted in an impairment charge of $18.7 million.

Key assumptions used in the discounted cash flow model and for calculating the Kyrgyz Republic CGU recoverable amount used in the annual tests on September 1, 2015 and 2014 and the December 31, 2014 test were as follows:

		September 1, 2015		**December 31, 2014**		**September 1, 2014**
Gold price:						
2014	$	**-**	$	-	$	1,250(a)
2015	$	**1,150(a)**	$	1,225	$	1,254
2016	$	**1,172**	$	1,250	$	1,307
2017	$	**1,180**	$	1,275	$	1,242
2018	$	**1,191**	$	1,225	$	1,162
2019	$	**1,206**	$	1,300	$	1,308
2020	$	**1,230**	$	1,300	$	1,308
2021 and onwards	$	**1,242**	$	1,300	$	1,308
Discount rate		**11.9%**		11.6%		10.3%
Reserves - contained ounces		**5.6 million**		6.1 million		7.9 million
Resources -contained ounces		**4.6 million**		4.6 million		5.6 million
Life of mine		**2026**		2026		2027

(a) From September 1 onwards

Gold prices
Management estimated gold prices through the analysis of gold forward prices and by considering the average of the most recent market commodity price forecasts consensus from a number of recognized financial analysts.

Resources
For the impairment tests, a fair value of $25 per ounce was included for contained ounces of resources based on comparable historic market transactions.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Production
Management determined its planned production profile and total life of mine production based on its development activity and its mine and processing plans for each period the impairment test was performed.

Discount rate
A real after tax discount rate was based on the Company's estimated weighted-average cost of capital adjusted for the risks associated with the Kyrgyz Republic CGU cash flow.

Life of mine
The life of mine represents the final year of processing of reserves as is contemplated in the life of mine plan.

The FVLCD determined from the discounted cash flow analysis is categorized as a non-recurring level 3 hierarchy in accordance with IFRS 13, *Fair Value Measurement*.

13. Other assets

		2015		**2014**
Reclamation trust fund (note 17)	**$**	**18,909**	$	15,951
Long term receivables		**1,509**		1,607
Long term inventories (note 9)		**-**		349
Other assets		**6,263**		6,165
Total	**$**	**26,681**	$	24,072

14. Accounts payable and accrued liabilities

		2015		**2014**
Trade creditors and accruals	**$**	**65,765**	$	36,844
Liability for share-based compensation		**9,527**		9,039
Total	**$**	**75,292**	$	45,883

15. Short-term debt

In 2010, the Company entered into a credit agreement with the European Bank for Reconstruction and Development ("EBRD") which provides for a $150 million revolving credit facility (the "EBRD Facility").

As at December 31, 2015, the Company had $76 million outstanding under the EBRD Facility for repayment in February 2016. On February 12, 2016, the Company entered into a new five-year $150 million revolving credit facility with EBRD. The interest rate is LIBOR plus 3%. The $76 million drawn amount under the previous EBRD Facility was subsequently redrawn under the new EBRD Facility on February 17, 2016 and is due to be repaid on August 17, 2016 or, at the Company's discretion, repayment of the loaned funds may be extended until 2021. The right to draw in excess of $100 million of the new EBRD Facility is subject to the satisfaction of a specified condition precedent.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The terms of the credit facility requires the Company to pledge certain assets as security and maintain compliance with specified covenants, including financial covenants. As at December 31, 2015 and 2014, the Company was in compliance will these financial covenant requirements.

The undrawn amount and terms of the outstanding credit facilities as at December 31, 2015 and 2014 were the following:

EBRD Facility		**2015**		**2014**
Undrawn amount of the facility	**$**	**74,000**	$	74,000
Interest rate - six month LIBOR plus(1)		**2.9 %**		2.9 %
Commitment (standby) fee(2)		**0.5 %**		0.5 %
Net book value of pledged mobile equipment	**$**	**136,502**	$	162,300

(1) Interest is payable at the end of the term.

(2) When less than 50% of the EBRD Facility amount is drawn, 0.75% is applied to the undrawn portion of the EBRD Facility, when more than 50% is drawn the fee is 0.50%.

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, 2015, the 13% revenue-based tax expense recorded by Kumtor was $78.6 million (year ended December 31, 2014 - $90.3 million), while the Issyk-Kul Oblast Development Fund contribution of 1% of gross revenue totalled $6 million (year ended December 31, 2014 - $6.9 million). As at December 31, 2015, $9.2 million of revenue-based tax was payable to the Kyrgyz Government (December 31, 2014 – $24.6 million).

During the year ended December 31, 2014, the remaining $10 million principal amount outstanding under an interest-free advance to the Kyrgyz Government as part of a tax advance agreement with Kumtor was applied against revenue-based taxes payable during 2014. In May 2012, a tax advance agreement was signed by Kumtor and the Kyrgyz Republic and $30 million of future revenue-based taxes were advanced to the Government.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

b. Income tax expense

		2015		2014
Current tax	**$**	**191**	$	2,876
Deferred tax		**258**		(299)
Total Income Tax Expense	**$**	**449**	$	2,577

No entities, other than those in the Mongolian segment, recorded an income tax expense during the years ended December 31, 2015 and December 31, 2014.

A reconciliation between income tax expense and the product of accounting profit multiplied by the Company's weighted average tax rate applicable to profits of the consolidated entities is provided below:

		2015		2014
Earnings (loss) before income tax	**$**	**42,078**	$	(41,532)
Income tax expense (recovery) calculated at Canadian tax rates if applicable to earnings (loss) in the respective countries		**11,151**		(11,006)
Income tax effects of:				
Difference between Canadian tax rate and rates applicable to subsidiaries in other countries [(a)]		**(30,872)**		(3,229)
Change in unrecognized deductible temporary differences		**(3,195)**		13,088
Impact of foreign currency movements		**1,768**		1,837
Non-deductible employee costs		**692**		742
Other non-deductible expenses or non-taxable items		**20,905**		1,145
	$	**449**	$	2,577

(a) The balance for the year ended December 31, 2015 reflects no tax impact on the $18.7 million Kumtor goodwill impairment charge (year ended December 31, 2014 - $111.0 million) and $27.2 million Kumtor inventory impairment charge (year ended December 31, 2014 - nil).

(Expressed in thousands of United States Dollars, except where otherwise indicated)

c. Deferred income tax

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

		2015		2014
Deferred income tax assets:				
Provisions - asset retirement obligation and other	**$**	**8,508**	$	7,822
Total deferred tax assets	**$**	**8,508**	$	7,822
Deferred income tax liabilities:				
Cash and cash equivalents	**$**	**(3,760)**	$	(3,062)
Short-term investments		**(930)**		(930)
Property plant and equipment		**(6,342)**		(6,096)
Total deferred tax liabilities	**$**	**(11,032)**	$	(10,088)
Net deferred tax liabilities	**$**	**(2,524)**	$	(2,266)

The Company has not recognized the following deferred income tax assets:

	Tax losses income	Tax losses capital	Exploration	Non Deductible Reserves	Other	Total
December 31, 2015						
Expiring within one to five years	**$ 18,409**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 18,409**
Expiring after five years	**132,691**	**-**	**-**	**-**	**-**	**132,691**
No expiry date	**296**	**28,446**	**48,547**	**-**	**7,765**	**85,054**
	$ 151,396	**$ 28,446**	**$ 48,547**	**$ -**	**$ 7,765**	**$ 236,154**
December 31, 2014						
Expiring within one to five years	$ 29,603	$ -	$ -	$ -	$ -	$ 29,603
Expiring after five years	221,654	-	-	-	-	221,654
No expiry date	323	30,355	34,987	-	6,846	72,511
	$ 251,580	$ 30,355	$ 34,987	$ -	$ 6,846	$ 323,768

At December 31, 2015, no deferred tax liabilities have been recognized in respect of the aggregate amount of $820 million (2014 - $747.0 million) of taxable temporary differences associated with investments in subsidiaries. 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, except where otherwise indicated)

d. Taxes payable

		2015		2014
Other taxes payable	**$**	**1,502**	$	1,246
Income taxes (receivable) payable		**(216)**		269
Total taxes payable	**$**	**1,286**	$	1,515

17. Provision for reclamation

		2015		2014
Kumtor gold mine	**$**	**40,861**	$	41,211
Boroo gold mine		**23,519**		24,903
Gatsuurt Project		**1,769**		1,802
Total provision for reclamation		**66,149**		67,916
Less: current portion		**(1,062)**		(2,598)
	$	**65,087**	$	65,318

Centerra's estimates of future asset retirement obligations are based on standards that meet reclamation regulatory requirements. The Company estimates its total undiscounted future decommissioning and reclamation costs at December 31, 2015 to be $84.2 million (December 31, 2014 - $87.5 million). The carrying amount of the asset retirement obligations is based on the following key assumptions:

- Expected timing of payment of the cash flows is based on the life of mine plans;
- Ongoing reclamation spending continues at Boroo, while at Gatsuurt and Kumtor reclamation is expected to start in 2025 and 2026, respectively;
- Risk-free discount rates of 2.31% at Kumtor, 2.35% at Boroo and 2.31% at Gatsuurt as at December 31, 2015 (December 31, 2014 – 2.23% at Kumtor, 2.26% at Boroo, and 2.23% at Gatsuurt).

As at December 31, 2015, revisions in the estimated timing and risk-free discount rates resulted in a decrease in the reclamation provisions of $1.3 million, $0.9 million and $0.1 million at Kumtor, Boroo and Gatsuurt, respectively.

The Company is scheduled to update the Kumtor conceptual closure plan in 2016. The last regularly scheduled update to the closure cost update was completed in 2013. The Company completed its regularly scheduled update to its closure costs estimates at Boroo and Gatsuurt in 2014, which included development work already completed at the Gatsuurt site.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The following is a reconciliation of the provision for reclamation liability balance:

		2015		**2014**
Balance at January 1	**$**	**67,916**	$	60,020
Liabilities paid		**(1,004)**		(1,085)
Change in estimates[a]		**(2,285)**		7,324
Accretion expense (note 24)		**1,522**		1,657
Total provision for reclamation		**66,149**		67,916
Less: current portion		**(1,062)**		(2,598)
Balance at December 31	**$**	**65,087**	$	65,318

[a]In the year ended December 31, 2015, $0.9 million relating to the change in estimates of the reclamation liability was recognized directly in the Statement of Earnings (December 31, 2014 - nil).

In 1998, a Reclamation Trust Fund was established to cover the future costs of reclamation, net of salvage values, at the Kumtor gold mine. This restricted cash is funded based on the estimated yearly production, annually in arrears, over the life of the mine. On December 31, 2015, this fund had a balance of $18.9 million (December 31, 2014 - $16.0 million) – note 13.

18. Cost of sales

		2015		**2014**
Operating costs:				
Salaries and benefits	**$**	**59,435**	$	75,126
Consumables		**93,856**		133,541
Third party services		**3,761**		4,734
Other operating costs		**10,160**		16,969
Royalties, levies and production taxes		**874**		2,193
Changes in inventories		**(15,223)**		(13,843)
		152,863		218,720
Supplies inventory obsolescence charge (note 9)		**1,729**		1,254
Inventory impairment (note 9)		**27,216**		-
Provision for reclamation adjustment (note 17)		**(947)**		-
Depreciation, depletion and amortization		**203,598**		282,603
	$	**384,459**	$	502,577

(Expressed in thousands of United States Dollars, except where otherwise indicated)

19. Other operating expenses

		2015		2014
Social development contributions	$	**2,549**	$	5,385
Sundry income (a)		**(818)**		(1,912)
Gatsuurt Project care and maintenance		**139**		359
	$	**1,870**	$	3,832

a) In late 2014, the Company was engaged by a third party to process its ore in the Boroo mill. This processing arrangement was completed in January 2015 and the Company received $0.8 million as final payment on the contract ($1.9 million was received in 2014). The funds received under this contract represent the Company's share of the net proceeds from the sale of gold bullion and the recovery of processing costs.

20. Pre-development project costs

		2015		2014
Greenstone Gold Property (note 6)	$	**9,310**	$	-
Öksüt Gold Project		**3,942**		6,022
	$	**13,252**	$	6,022

On July 28, 2015, the Board of Directors of the Company made the decision to develop the Öksüt Gold Project. In accordance with the Company's accounting policies, costs incurred subsequent to this date, associated with the development of the project, are capitalized. In the year ended December 31, 2015, the Company capitalized Öksüt Gold Project development costs of $5.4 million as "Construction in Progress", part of PP&E (note 11).

21. Exploration and business development

		2015		2014
Exploration:				
Advanced projects	**$**	**629**	$	5,489
Generative exploration and other projects		**5,590**		7,533
Exploration administration		**2,193**		1,734
Total exploration		**8,412**		14,756
Business development		**2,207**		968
	$	**10,619**	$	15,724

(Expressed in thousands of United States Dollars, except where otherwise indicated)

22. Corporate administration

	2015	2014
Administration and office costs	$ **3,458**	$ 5,249
Professional fees	**7,710**	5,168
Salaries and benefits	**13,131**	14,675
Share-based compensation	**11,028**	9,295
Depreciation and amortization	**454**	372
	$ **35,781**	$ 34,759

23. Other expenses, net

	2015	2014
Interest income	$ **(1,428)**	$ (1,030)
Loss on disposal of assets	**1,905**	1,158
Bank charges	**38**	55
Foreign exchange loss	**6,073**	2,761
Miscellaneous income (a)	**(3,213)**	(1,760)
	$ **3,375**	$ 1,184

(a) Miscellaneous income in 2015 includes proceeds of $2.7 million from an insurance claim at Kumtor ($1.8 million in year ended December 31, 2014).

24. Finance costs

	2015	2014
Revolving credit facility:		
Financing costs	$ **66**	$ 418
Interest expense	**2,463**	2,499
Commitment fees and other revolving credit facility costs	**375**	388
Accretion expense (note 17)	**1,522**	1,657
	$ **4,426**	$ 4,962

25. 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.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

In December 2015, the Company finalized the purchase of a 1% net smelter royalty related to the Öksüt production from Stratex International PLC ("Stratex") through the issuance of 962,542 shares, representing a value of $4.9 million. The Company had initially granted the royalty as part of the purchase from Stratex of the final 30% interest in the Öksüt Project in December 2012 and finalized the agreement in January 2013.

b. Earnings (loss) per share

Basic and diluted earnings (loss) per share computation:

		2015		2014
Net earnings (loss) for the purposes of diluted earnings (loss) per share	**$**	**41,629**	$	(44,109)

(Thousands of common shares)		
Basic weighted average number of common shares outstanding	**236,592**	236,396
Effect of potentially dilutive securities:		
Stock options	**359**	-
Diluted weighted average number of common shares outstanding	**236,951**	236,396

Basic earnings (loss) per common share	**$**	**0.18**	$	(0.19)
Diluted earnings (loss) per common share	**$**	**0.18**	$	(0.19)

For the year ended December 31, 2015, certain potentially dilutive securities, including stock options and restricted share units, were excluded from the calculation of diluted earnings per share due to the exercise prices being greater than the average market price of the Company's ordinary shares for the period. For the year ended December 31, 2014, all potentially dilutive securities were excluded from the calculation of loss per share as they would have been anti-dilutive as a result of the net loss recorded for the year.

Potentially dilutive securities are summarized below:

(Thousands of units)	2015	2014
Stock options	**1,924**	3,720
Restricted share units	**218**	239
	2,142	3,959

(Expressed in thousands of United States Dollars, except where otherwise indicated)

c. Dividends

Dividends are declared and paid in Canadian dollars. At December 31, 2015, accrued dividends, in United States Dollars, payable to Kyrgyzaltyn were $9.3 million (December 31, 2014 - $12.3 million) (note 27). The details of dividends declared in 2015 and 2014 are as follows:

		2015		2014
Dividends declared (U.S. dollars)	$	**29,389**	$	34,095
Dividends declared (Cdn$ per share amount)	$	**0.16**	$	0.16

d. Share-based compensation

The impact of share-based compensation as of and for the years ended December 31, 2015 and 2014 is summarized as follows:

(Millions of U.S. dollars except as indicated)	Number outstanding Dec 31, 2015	Expense/(Income) 2015	Expense/(Income) 2014	Liability Dec 31, 2015	Liability Dec 31, 2014
(i) Stock options	**4,793,592**	**$ 2.6**	$ 2.5	**$ -**	$ -
(ii) Performance share units	**2,177,233**	**8.9**	7.2	**8.0**	7.1
(iii) Deferred share units	**205,645**	**0.1**	0.4	**1.0**	0.9
(iv) Restricted share units	**107,291**	**0.8**	1.2	**0.5**	1.1
		$ 12.4	$ 11.3	**$ 9.5**	$ 9.1

(i) Stock options

Under the Company's Stock Option plan, options to purchase common shares of the Company may be granted to officers and employees. The exercise price of options granted under this plan is not less than the weighted average common share price for the five trading days prior to the date of grant. Options granted vest over three years and expire after eight years from the date granted.

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 cannot exceed 5% of the outstanding common shares.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

(ii) Stock options

Under the Company's Stock Option plan, options to purchase common shares of the Company may be granted to officers and employees. The exercise price of options granted under this plan is not less than the weighted average common share price for the five trading days prior to the date of grant. Options granted vest over three years and expire after eight years from the date granted.

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 cannot exceed 5% of the outstanding common shares.

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

	2015		**2014**	
	Number of Options	**Weighted Average Exercise Price (Cdn$)**	Number of Options	Weighted Average Exercise Price (Cdn$)
Balance, January 1	**3,868,334**	**$ 8.21**	2,511,500	$ 10.04
Granted	**1,572,592**	**6.10**	1,474,762	5.07
Forfeited	**(185,639)**	**(9.03)**	(117,928)	(7.69)
Exercised[a]	**(461,695)**	**(5.47)**	-	-
Balance, December 31	**4,793,592**	**$ 7.75**	3,868,334	$ 8.21

[a] The weighted average market price of shares issued for options exercised in the year-ended December 31, 2015 was Cdn$7.53.

The Black-Scholes model was used to estimate the fair value of stock options. The following assumptions were used for the options issued in the years ended December 31, 2015 and 2014:

Grant Date	Number of Options	Grant Price (Cdn$)	Expected Life	Share price Volatility (i)	Dividend Yield	Risk free rate	Fair value Price (Cdn$)
March 3, 2015	1,462,840	6.05	3 years	73.69%	2.51%	0.59%	2.47
March 5, 2015	50,000	6.03	1 year	73.46%	2.51%	0.62%	2.14
May 12, 2015	7,131	6.73	3 years	72.90%	2.18%	0.83%	2.34
November 6, 2015	52,621	7.33	3 years	67.67%	2.20%	0.76%	2.74
	1,572,592	**6.10**	**3 years**	**73.48%**	**2.50%**	**0.60%**	**2.47**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Grant date	Number of Options	Grant Price (Cdn$)	Expected Life	Share Price Volatility (i)	Dividend Yield	Risk free rate	Fair value Price (Cdn$)
March 3, 2014	1,391,907	5.04	3 years	72.89%	2.88%	1.25%	2.21
March 17, 2014	63,086	5.62	3 years	72.93%	2.88%	1.29%	2.14
May 16, 2014	19,769	5.21	3 years	72.61%	2.37%	1.23%	2.09
	1,474,762	5.07	3 years	72.89%	2.87	1.25	2.21

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

The terms of the options outstanding at December 31, 2015 are as follows:

Award Date	Award Price (Cdn$)	Expiry Date	Number of Options Outstanding	Number of Options Vested
18-Mar-08	$14.29	18-Mar-16	**38,030**	**38,030**
17-Feb-09	$4.81	17-Feb-17	**146,490**	**146,490**
19-Aug-10	$14.37	19-Aug-18	**100,000**	**100,000**
7-Mar-11	$18.31	7-Mar-19	**257,634**	**257,634**
14-Sep-11	$22.28	14-Sep-19	**2,028**	**2,028**
6-Mar-12	$19.48	6-Mar-20	**284,396**	**284,396**
14-Aug-12	$7.29	14-Aug-20	**83,403**	**83,403**
14-Aug-12	$7.29	14-Aug-20	**420,000**	**420,000**
19-Nov-12	$9.31	19-Nov-20	**50,000**	**50,000**
4-Mar-13	$6.78	4-Mar-21	**751,098**	**476,346**
11-Nov-13	$3.82	11-Nov-21	**7,752**	**5,168**
5-Mar-14	$5.04	5-Mar-22	**1,182,448**	**312,643**
16-May-14	$5.21	16-May-22	**19,769**	**6,589**
3-Mar-15	$6.05	3-Mar-23	**1,340,793**	**-**
5-Mar-15	$6.03	5-Mar-23	**50,000**	**50,000**
12-May-15	$6.73	12-May-23	**7,130**	**-**
6-Nov-15	$7.33	6-Nov-23	**52,621**	**-**
			4,793,592	**2,232,727**

(ii) Performance Share Unit plan

Centerra's Performance Share Unit plan transactions during the years ended December 31, 2015 and 2014 were as follows:

(Expressed in thousands of United States Dollars, except where otherwise indicated)

	2015	2014
Balance, January 1	**1,813,811**	609,312
Granted - regular	**1,018,943**	1,350,579
Granted - special series	**-**	76,633
Exercised	**(491,619)**	(181,198)
Cancelled	**(163,902)**	(41,515)
Balance, December 31	**2,177,233**	1,813,811

In determining the fair value of these units, the principal assumptions used in applying the Monte Carlo simulated option pricing model were as follows:

	2015	2014
Share price	$ **6.53**	$ 5.89
S&P/TSX Global Gold Index	$ **148.44**	$ 165.72
Expected life (years)	**0.86**	1.09
Expected volatility- Centerra's share price	**36.0** %	54.3 %
Expected volatility- S&P/TSX Global Gold Index	**27.9** %	30.5 %
Risk-free rate of return	**0.6** %	1.1 %
Forfeiture rate	**5.5** %	3.8 %
Weighted adjustment factor	**2.0**	1.1

The vested number of units outstanding as at December 31, 2015 are 745,415 (December 31, 2014 – 386,466). The fair value of the vested units at December 31, 2015 is $7.0 million (December 31, 2014 – $2.0 million).

(iii) Deferred Share Unit plan

Centerra's Deferred Share Unit plan transactions during the year were as follows:

	2015	2014
Balance, January 1	**187,807**	150,207
Granted	**17,838**	43,482
Redeemed	**-**	(5,882)
Balance, December 31	**205,645**	187,807

At December 31, 2015, the number of units outstanding had a related liability of $1.0 million (December 31, 2014 – $0.9 million). In 2015, a compensation cost of $0.1 million was recorded for this plan (year ended December 31, 2014 - $0.4 million).

(Expressed in thousands of United States Dollars, except where otherwise indicated)

(iv) Restricted Share Unit plan

Centerra's Restricted Share Unit plan transactions during the year were as follows:

	2015	**2014**
Balance, January 1	**239,336**	252,538
Granted	**145,123**	166,226
Redeemed	**(277,168)**	(179,428)
Balance, December 31	**107,291**	239,336

At December 31, 2015, the number of units outstanding had a related liability of $0.5 million (December 31, 2014 $1.1 million). Compensation expense for the plan was $0.8 million in the year ended December 31, 2015 (year ended December 31, 2014 - $1.2 million).

26. Commitments and contingencies

Commitments

(a) Contracts

As at December 31, 2015, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $67.2 million (Kumtor - $53.0 million, Öksüt Project $10.5 million, Greenstone Gold Property - $3.3 million and Boroo - $0.4 million), a majority of which are expected to be settled over the next twelve months.

(b) Greenstone Partnership

As partial consideration for the Company's initial 50% partnership interest in the Greenstone Partnership, the Company has agreed to commit up to an additional Cdn$185 million to fund the project, subject to certain feasibility and project advancement criteria (see note 6). In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with the care and maintenance of the project for a period of two years or until the Cdn$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn$185 million development contributions commitment of the Company, as noted above. As at December 31, 2015, the Company has funded a total of Cdn$22.0 million ($17.3 million) of its commitment since the inception of the partnership.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

(c) 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 $0.8 million in the year ended December 31, 2015 (year ended December 31, 2014 - $0.9 million). The future aggregate minimum lease payments for the non-cancellable operating lease of the Toronto Corporate office are as follows:

(Thousands of Cdn$)		**2015**		**2014**
2015	$	**-**	$	478
2016		**479**		478
2017		**497**		497
2018		**501**		501
2019 to 2021		**1,611**		1,611
	$	**3,088**	$	3,565

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, 2015 cannot be predicted with certainty, it is management's opinion that it is not, except as noted below, more likely than not that these actions will result in the outflow of resources to settle the obligation; therefore no amounts have been accrued.

Kyrgyz Republic

(a) Negotiations between Kyrgyz Republic and Centerra

On December 22, 2015, the Company announced that it had received notice from the Kyrgyz Republic Prime Minister notifying Centerra of the Kyrgyz Republic Government's intention to withdraw from further negotiations regarding the implementation of the non-binding heads of agreement dated January 18, 2014 (the "HOA"). The HOA contemplated a restructuring of the ownership of the Kumtor Project under which Kyrgyzaltyn would receive a 50% interest in a joint venture company that would own the Kumtor Project in exchange for its share interest in Centerra.

While Centerra has a long record of resolving matters with the Kyrgyz Republic Government, there are no assurances that continued discussions between the Kyrgyz Republic Government and Centerra will result in a mutually acceptable solution regarding the Kumtor project, that any agreed upon proposal would receive the necessary approvals under Kyrgyz and Canadian laws or that the Kyrgyz Republic Government and/or parliament will not take actions that are inconsistent with the government's obligations under the agreements governing the Kumtor Project.

(b) Kyrgyz Permitting and Regulatory Matters

In December 2015, KGC submitted its 2016 annual mine plan to the Kyrgyz Republic State Agency for Environmental and Forestry under the Government of the Kyrgyz Republic ("SAEPF") and the State Agency for Geology and Mineral Resources ("SAGMR") for approval. KGC has also received extension of its permits for maximum allowable emissions and toxic waste disposal until March 31, 2016.

There remain several other outstanding permits and approvals required from Kyrgyz regulatory authorities including the Ecological Passport and the life-of-mine technical plan (which outlines mining plans for the Kumtor life-of-mine). The regulatory authorities reviewing such permits and approvals have expressed concerns regarding potential conflicts with the Kyrgyz Republic Water Code. Centerra and KGC do not believe that the Water Code is applicable to the Kumtor Project.

Kumtor will continue to work with the applicable Kyrgyz regulatory authorities to obtain the necessary permits and approvals, however there can be no assurances that such permits and approvals will be issued or issued in a timely manner.

Should Kumtor be prohibited from moving ice (as a result of the purported application of the Water Code), the entire December 31, 2015 mineral reserves at Kumtor, and Kumtor's current life of mine plan would be at risk, leading to an early closure of the operation. Centerra believes that any disagreement in relation to the application of the Water Code to Kumtor would be subject to international arbitration under the 2009 agreements governing the Kumtor Project.

(c) Land Use and Environmental Claims

Centerra will continue to engage constructively and in good faith with the Kyrgyz Republic Government to resolve all outstanding matters affecting the Kumtor Project, including: (i) claims made by the General Prosecutor seeking to invalidate Kumtor's land use certificate and to seize certain lands within the Kumtor concession area; and (ii) significant environmental claims made by various Kyrgyz state agencies alleging environmental offenses and other matters totalling approximately $473 million (at applicable exchange rates when the claims were commenced).

Regarding the land use claims, 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. The inability to successfully resolve all such matters would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

Mongolia

Gatsuurt

Following the designation of the Company's Gatsuurt project as a mineral deposit of strategic importance by the Mongolian Parliament in January 2015, the Company was in discussions with the Government of Mongolia and its working groups to determine the economic terms of the future development of the Gatsuurt Project. In mid-October 2015, the Company and the Government agreed to a 3% special royalty in place of the Government acquiring a 34% ownership interest in the project.

As disclosed on February 4, 2016, the Mongolian Parliament passed a resolution setting the state ownership interest in the Gatsuurt Project at 34% and authorizing the Mongolian Government to complete negotiations with Centerra on the terms of such ownership. Under the Minerals Law, the Government can now implement the previously agreed upon special royalty in place of a 34% state ownership in the project.

There are no assurances that Centerra will be able to negotiate definitive agreements with the Mongolian Government (in a timely fashion or at all) or that such economic and technical studies and drilling programs will have positive results. The inability to successfully resolve all such matters could have a material impact on the Company's future cash flows, earnings, results of operations and financial condition.

Corporate

(a) Enforcement Notice by Stans

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

On June 10, 2015, the Ontario Superior Court of Justice Divisional Court issued its decision on an appeal brought by Kyrgyzaltyn in the Stans case. The effect of this decision was to cancel a previously issued court order (injunction).

(b) Enforcement Notice by Belokon

In February 25, 2015, the Company was served with a temporary order, which was subsequently extended on March 5, 2015 (the "Belokon Order"), from the Ontario Superior Court of Justice in favour of Valeri Belokon ("Belokon"). The original court order, which restricted certain shares and the payment of dividends, was amended on September 8, 2015. The amended order now restricts Kyrgyzaltyn's ability to transfer and to exercise its rights as a registered shareholder over 3,787,879 shares (formerly 6,500,240 shares), and caps the amount of dividends to be held in trust for the Belokon proceeding to Cdn$10 million. Accordingly, all amounts held in trust in excess of Cdn$10 million were released to Kyrgyzaltyn in September 2015.

(c) Enforcement Notice by Entes

On October 15, 2015, Centerra received an Ontario court order in favour of Entes Industrial Plants Construction & Erection Contracting Co. Inc. ("Entes") who has an arbitral award against the Kyrgyz Republic for $22.7 million. The injunction (i) prohibits Kyrgyzaltyn from, among other things, selling or transferring 7,465,776 shares of Centerra held by it (over and above the 3,787,879 shares already restricted in the Belokon proceedings); and (ii) requires Centerra to pay any dividends declared on Centerra shares held by Kyrgyzaltyn into trust for the benefit of the Entes enforcement application. The order was continued on October 27, 2015 and remains in place until further order of the Court; it does not set a limit on the amount of dividends to be held in trust. The Company is currently holding $2.1 million in trust for the Entes proceeding and will continue to do so until further order of the court.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

27. Related party transactions

a. Kyrgyzaltyn

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

The table below summarizes the management fees paid and accrued by KGC to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement ("Sales 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:

		2015		2014
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$**	**607,832**	$	697,903
Deduct: refinery and financing charges		**(3,310)**		(3,313)
Net sales revenue received from Kyrgyzaltyn	**$**	**604,522**	$	694,590
Included in expenses:				
Contracting services provided to Kyrgyzaltyn	**$**	**1,396**	$	1,628
Management fees to Kyrgyzaltyn		**521**		561
Expenses paid to Kyrgyzaltyn	**$**	**1,917**	$	2,189

Dividends:

		2015		2014
Dividends declared to Kyrgyzaltyn	**$**	**9,616**	$	11,164
Withholding taxes		**(481)**		(558)
Net dividends declared to Kyrgyzaltyn	$	**9,135**	$	10,606

As a result of the court decision in the Belokon proceedings in September 2015 (note 26), Centerra released to Kyrgyzaltyn $10.1 million (Cdn $13.4 million), representing dividends held in trust of Cdn$13.1 million, plus interest accrued of Cdn$0.3 million. In the year ended December 31, 2014, the Company paid dividends of $8.0 million to Kyrgyzaltyn.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Related party balances

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

		2015		2014
Amounts receivable	$	**25,725**	$	62,143
Dividend payable (net of withholding taxes)	**$**	**13,096**	$	13,828
Net unrealized foreign exchange gain		**(3,766)**		(1,574)
Dividend payable (net of withholding taxes)[(a)]		**9,330**		12,254
Amount payable		**1,039**		616
Total related party liabilities	**$**	**10,369**	$	12,870

(a) Equivalent of Cdn$12.9 million as at December 31, 2015 (December 31, 2014 - Cdn$14.2 million).

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Sales Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days. The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

As at December 31, 2015, $25.7 million was outstanding under the Sales Agreement (December 31, 2014 - $62.1 million). Subsequent to December 31, 2015, the balance receivable from Kyrgyzaltyn was paid in full.

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 Chief Executive Officer, President, Vice President and Chief Financial Officer, Vice President and Chief Operating Officer, Vice President Exploration, Vice President Business Development and Vice President Human Resources.

During the years ended December 31, 2015 and 2014, remuneration to directors and key management personnel were as follows:

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Compensation of directors

		2015		2014
Fees earned and other compensation	**$**	**938**	$	937
Share-based compensation		**(510)**		863
Total expense	**$**	**428**	$	1,800

Fees earned and other compensation
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:

		2015		2014
Salaries and benefits	**$**	**6,800**	$	6,935
Share-based compensation		**7,202**		5,335
Total expense	**$**	**14,002**	$	12,270

Salaries and benefits
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).

28. 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 2015 from the prior comparative period.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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, 2015, 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:

	2015	**2014**
Shareholders' equity	**$ 1,420,851**	$ 1,398,643
Short-term debt	**76,000**	76,000
	1,496,851	1,474,643
Less:		
Cash and cash equivalent	**(360,613)**	(300,514)
Short-term investments	**(181,613)**	(261,503)
Total invested capital	**$ 954,625**	$ 912,626

29. Financial Instruments

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash, amounts receivable, a reclamation trust fund, short-term debt, dividends 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 and restricted cash 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 reclamation trust fund consists of cash and investments, managed by a trustee, maintained within a trust account.

The fair value of amounts receivable, trade creditors and accruals and revenue-based taxes payable approximate 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.
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.

Classification and the fair value measurement by level of the financial assets and liabilities in the Statement of Financial Position were as follows:

(Expressed in thousands of United States Dollars, except where otherwise indicated)

December 31, 2015

	Loans and receivables	Other financial liabilities	Assets/liabilities at fair value through earnings (loss)
Financial Assets (Level 1)			
Cash and cash equivalents	$ **-**	$ **-**	$ **360,613**
Short-term investments	**-**	**-**	**181,613**
Restricted cash	**-**	**-**	**9,989**
Amounts receivable	**28,781**	**-**	**-**
Reclamation trust fund	**-**	**-**	**18,909**
	$ **28,781**	$ **-**	$ **571,124**
Financial Liabilities (Level 1)			
Trade creditors and accruals	$ **-**	$ **65,765**	$ **-**
Short-term debt	**-**	**76,000**	**-**
Dividend payable to related party	**-**	**9,330**	**-**
Revenue-based taxes payable	**-**	**9,152**	**-**
	$ **-**	$ **160,247**	$ **-**

December 31, 2014

	Loans and receivables	Other financial liabilities	Assets/liabilities at fair value through earnings (loss)
Financial Assets (Level 1)			
Cash and cash equivalents	$ -	$ -	$ 300,514
Short-term investments	-	-	261,503
Restricted cash	-	-	12,437
Amounts receivable	66,214	-	-
Reclamation trust fund	-	-	15,951
Long-term receivables	1,607	-	-
	$ 67,821	$ -	$ 590,405
Financial Liabilities (Level 1)			
Trade creditors and accruals	$ -	$ 36,844	$ -
Short-term debt	-	76,000	-
Dividend payable to related party	-	12,254	-
Revenue-based taxes payable	-	24,605	-
	$ -	$ 149,703	$ -

As at December 31, 2015 and 2014, the Company did not have any assets or liabilities that are measured under level 2 or 3.

30. 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. Financial risk management is carried out by the Company's treasury department in accordance with the Board of Directors approved policy. 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 in undertaking its oversight of financial risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company is exposed to the following types of risk and manages them as follows:

a. Currency risk

The Company's operations are located in various geographic locations, exposing the Company to potential foreign exchange risk in its financial position and cash flows. 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 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.

To mitigate this risk, the Company makes purchases in foreign currencies at the prevailing spot price to fund corporate activities or enters into short-term forward contracts to purchase foreign currencies. During the year ended December 31, 2015, total Canadian dollars and Euros purchased were Cdn$133.5 million and €20.6 million (year ended December 31, 2014 - Cdn$160.3 million and €23.5 million), including executed forward contracts of Cdn$5.6 million and €4.4 million (year ended December 31, 2014 - Cdn$27.5 million and €1.0 million). There were no outstanding Canadian dollar forward contracts and no outstanding Euro contracts outstanding at December 31, 2015 and 2014.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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

December 31, 2015

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Russian Rubles	European Euro	Turkish Lira	Australian Dollar
Financial Assets							
Cash and cash equivalents	$ 222	$ 4,639	$ 11,774	$ 67	$ 598	$ 347	$ -
Restricted cash	-	-	9,366	-	-	623	-
Amounts receivable	212	1,869	1,102	6	208	1,015	-
	$ 434	$ 6,508	$ 22,242	$ 73	$ 806	$ 1,985	$ -
Financial Liabilities							
Accounts payable and accrued liabilities	$ 7,804	$ 456	$ 18,098	$ 26	$ -	$ 87	$ 81
Taxes payable	757	29	-	-	-	727	-
Dividend payable to related party	-	-	9,325	-	-	-	-
	$ 8,561	$ 485	$ 27,423	$ 26	$ -	$ 814	$ 81

December 31, 2014

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Russian Rubles	European Euro	Turkish Lira	Australian Dollar
Financial Assets							
Cash and cash equivalents	$ 239	$ 4,604	$ 72,817	$ 97	$ 1,408	$ 612	$ -
Restricted cash	-	-	12,437	-	-	-	-
Amounts receivable	199	1,500	423	28	23	2,272	-
	$ 438	$ 6,104	$ 85,677	$ 125	$ 1,431	$ 2,884	$ -
Financial Liabilities							
Accounts payable and accrued liabilities	$ 10,055	$ 3,162	$ 14,486	$ 130	$ 319	$ 535	$ 100
Taxes payable	955	1,196	-	-	-	204	-
Dividend payable to related party	-	-	12,254	-	-	-	-
	$ 11,010	$ 4,358	$ 26,740	$ 130	$ 319	$ 739	$ 100

Based on the above net exposures at December 31, 2015, a 10% devaluation or appreciation of the above currencies against the U.S. dollar, with all other variables held constant would have led to additional income or loss before tax of $0.5 million (December 31, 2014 - $5.3 million).

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 flows. The Company's cash and cash equivalents and short-term investments include highly liquid investments that earn interest at market rates. As at December 31, 2015, the majority of the $542.2 million in cash and cash equivalents and short-term investments (December 31, 2014 - $562 million) were comprised of interest-bearing assets. Based on amounts as at December 31, 2015, a 100 basis point change in interest rates would result in a $5.4 million adjustment to interest income (December 31, 2014 - $5.6 million).

Additionally, the interest on the $76 million short-term debt includes a variable rate component pegged to the LIBOR. Based on the amount drawn as at December 31, 2015, a 100 basis point change in LIBOR would result in a $0.8 million adjustment to interest expenses (December 31, 2014 - $0.8 million).

Although the Company strives to maximize the interest income earned on excess funds, the Company focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis and take advantage of opportunities to expand its property portfolio. 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. 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 two customers. Boroo sells the gold and silver content of its doré to the Bank of Mongolia. Kyrgyzaltyn 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 Centerra common shares it owns as security against unsettled gold shipments, in the event of default on payment (note 27).

Based on movements of Centerra's share price and the value of individual or unsettled gold shipments over the course of 2015, 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 $23.5 million (year ended December 31, 2014 - $57.9 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.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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, 2015, the Company had cash and cash equivalents and short-term investments totalling $542.2 million (December 31, 2014 - $562 million). A maturity analysis of the Company's financial liabilities, contractual obligations, other fixed operating and capital commitments is set out below:

Year ended December 31, 2015

(Millions of U.S. Dollars)	Total	Due In Less Than One Year	Due In One to Three Years	Due In Four to Five Years	Due After Five Years
Accounts payable and accrued liabilities	$ **75.3**	$ **75.3**	**$ -**	**$ -**	**$ -**
Short-term debt	**76.0**	**76.0**	**-**	**-**	**-**
Reclamation trust deed	**25.4**	**3.0**	**8.3**	**6.1**	**8.0**
Capital equipment	**13.5**	**13.5**	**-**	**-**	**-**
Operational supplies	**39.5**	**39.5**	**-**	**-**	**-**
Project development	**13.8**	**12.6**	**1.2**	**-**	**-**
Lease of premises	**2.7**	**0.5**	**0.9**	**0.9**	**0.4**
Total contractual obligations	**$ 246.2**	**$ 220.4**	**$ 10.4**	**$ 7.0**	**$ 8.4**

Year ended December 31, 2014

(Millions of U.S. Dollars)	Total	Due In Less Than One Year	Due In One to Three Years	Due In Four to Five Years	Due After Five Years
Accounts payable and accrued liabilities	$ 45.9	$ 45.9	$ -	$ -	$ -
Short-term debt	76.0	76.0	-	-	-
Reclamation trust deed	27.9	2.7	8.8	5.8	10.6
Capital equipment	7.6	7.6	-	-	-
Operation supplies	37.6	37.6	-	-	-
Lease of premises	3.6	0.5	1.0	1.0	1.1
Total contractual obligations	$ 198.6	$ 170.3	$ 9.8	$ 6.8	$ 11.7

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

(Expressed in thousands of United States Dollars, except where otherwise indicated)

e. Commodity price risk

The profitability of the Company's operations and mineral resource properties relates to the market price and outlook of gold. 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.

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. As at December 31, 2015, the Company has not entered into any hedging arrangements to mitigate commodity price risk.

31. Supplemental disclosure

a. Changes in operating working capital

(Thousands of U.S. Dollars)		2015		2014
Decrease in amounts receivable	**$**	**37,433**	$	12,493
Decrease (increase) in inventory - ore and metal[a]		**33,045**		(34,672)
Decrease (increase) in inventory - supplies		**778**		(89)
Decrease in prepaid expenses		**8**		16,303
Increase in trade creditors and accruals		**28,921**		6,303
Decrease in revenue-based tax payable		**(15,453)**		(6,137)
(Increase) decrease in depreciation and amortization included in inventory		**(52,693)**		13,717
Decrease (increase) in accruals included in additions to PP&E		**237**		(1,158)
Revenue-based tax utilized		**-**		(10,000)
Increase in other taxes payable		**256**		139
	$	**32,532**	$	(3,101)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

b. Investment in PP&E

(Thousands of U.S. Dollars)		2015		2014
Additions to PP&E during the year (note 11)	**$**	**(298,405)**	$	(358,515)
Greenstone Gold Property translation adjustment		**220**		**-**
Impact of revisions to asset retirement obligation included in PP&E (note 17)		**(1,338)**		7,325
Depreciation and amortization included in additions to PP&E (note 11)		**51,137**		73,747
Purchase of Öksüt royalty via share issuance (note 25(b))		**4,860**		-
(Decrease) Increase in accruals related to additions to PP&E		**(241)**		1,161
	$	**(243,767)**	$	(276,282)

c. Adjusted cost of sales

Earnings from mine operations includes the following expenses presented by function:

		2015		2014
Cost of sales	**$**	**384,459**	$	502,577
Impairment of goodwill (note 12)		**18,705**		111,000
Total adjusted costs of sales	$	**403,164**	$	613,577

32. Subsequent events

On February 4, 2016, the Mongolian Parliament passed a resolution setting the state ownership interest in the Gatsuurt Project at 34% and authorizing the Mongolian Government to complete negotiations with Centerra on the terms of such ownership.

On February 12, 2016, the Company entered into the $150 million EBRD Facility (note 15).

On February 24, 2016, the Company announced that its Board of Directors approved a quarterly dividend of Cdn$0.04 per common share. The dividend is payable March 24, 2016 to shareholders of record on March 10, 2016.

33. 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. The Mongolian segment involves the operations of the Boroo Gold Project, activities related to the Gatsuurt Project and local exploration activities. The Turkish segment includes the development of the Öksüt Project. The Corporate and other segment include the head office located in Toronto, the Greenstone Gold Property and other international exploration projects. The segments' accounting policies are consistent with those described in note 3, with the exception of inter-company loan interest income and expenses, which are eliminated on consolidation and are presented in the individual operating segments where they are generated.

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 Bank of Mongolia.

The following table reconciles segment operating profit per the reportable segment information to operating profit per the Statements of Earnings.

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Year ended December 31, 2015

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from gold sales	$ **604.6**	$ **19.4**	$ **-**	$ **-**	$ **624.0**
Cost of sales	**367.9**	**16.6**	**-**	**-**	**384.5**
Standby costs	**-**	**5.7**	**-**	**-**	**5.7**
Regional office administration	**15.8**	**3.3**	**-**	**-**	**19.1**
Earnings (loss) from mine operations	**220.9**	**(6.2)**	**-**	**-**	**214.7**
Revenue-based taxes	**84.6**	**-**	**-**	**-**	**84.6**
Other operating expenses	**2.2**	**(0.3)**	**-**	**-**	**1.9**
Pre-development project costs	**-**	**-**	**3.9**	**9.4**	**13.3**
Impairment of goodwill	**18.7**	**-**	**-**	**-**	**18.7**
Exploration and business development	**-**	**0.8**	**0.2**	**9.6**	**10.6**
Corporate administration	**0.3**	**0.3**	**-**	**35.2**	**35.8**
Earnings (loss) from operations	**115.1**	**(7.0)**	**(4.1)**	**(54.2)**	**49.8**
Other expenses, net					**3.4**
Finance costs					**4.4**
Earnings before income tax					**42.0**
Income tax expense					**0.4**
Net earnings and comprehensive income					**$ 41.6**
Capital expenditure for the year	**$ 275.2**	**$ 1.6**	**6.1**	**$ 87.7**	**$ 370.6**
Assets	**$ 949.1**	**$ 171.6**	**14.7**	**$ 525.2**	**$ 1,660.6**
Total liabilities	**$ 103.0**	**$ 31.2**	**3.6**	**$ 101.9**	**$ 239.7**

Year ended December 31, 2014

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from Gold Sales	$ 694.6	$ 68.7	-	$ -	$ 763.3
Cost of sales	444.4	58.1	-	-	502.5
Standby costs	-	2.4	-	-	2.4
Regional office administration	20.1	5.1	-	-	25.2
Earnings from mine operations	230.1	3.1	-	-	233.2
Revenue-based taxes	97.2	-	-	-	97.2
Other operating expenses	5.1	(1.3)	-	-	3.8
Pre-development project costs	-	-	6.0	-	6.0
Impairment of goodwill	111.0	-	-	-	111.0
Exploration and business development	0.4	4.2	2.5	8.6	15.7
Corporate administration	0.2	0.5	-	34.1	34.8
Earnings (loss) from operations	16.2	(0.3)	(8.5)	(42.7)	(35.3)
Other expenses, net					1.2
Finance costs					5.0
Loss before income tax					(41.5)
Income tax expense					2.6
Loss and comprehensive loss					$ (44.1)
Capital expenditure for the year	$ 349.9	$ 1.1	-	$ 0.2	$ 351.2
Goodwill	$ 18.7	$ -	-	$ -	$ 18.7
Assets (excluding Goodwill)	$ 936.3	$ 179.6	2.5	$ 492.0	$ 1,610.4
Total liabilities	$ 92.0	$ 34.5	0.7	$ 103.2	$ 230.4